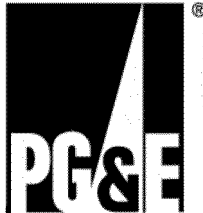


Application: 09-09-013 \_\_\_\_\_  
(U 39 G)  
Exhibit No.: \_\_\_\_\_  
Date: October 11, 2010  
Witnesses: Ray Blatter  
              Roger Graham

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**PACIFIC GAS AND ELECTRIC COMPANY**  
**2011 GAS TRANSMISSION AND STORAGE RATE CASE**  
**REBUTTAL TESTIMONY**

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PACIFIC GAS AND ELECTRIC COMPANY  
2011 GAS TRANSMISSION AND STORAGE RATE CASE  
REBUTTAL TESTIMONY

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**PACIFIC GAS AND ELECTRIC COMPANY**  
**CHAPTER 1**  
**SOCALGAS GX-F DELIVERY POINTS AND STORAGE**  
**REPORTING REQUIREMENTS**

PACIFIC GAS AND ELECTRIC COMPANY  
CHAPTER 1  
SOCALGAS GX-F DELIVERY POINTS AND STORAGE REPORTING  
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1                                   **PACIFIC GAS AND ELECTRIC COMPANY**  
2   **CHAPTER 1**  
3                   **SOCALGAS GX-F DELIVERY POINTS AND STORAGE REPORTING**  
4   **REQUIREMENTS**

5   **A. Introduction**

6   Q 1    Please state your name and the purpose of this testimony.

7   A 1    My name is Roger Graham. This testimony responds to the September 20,  
8           2010 testimony of Johannes Van Lierop and Steve Watson on behalf of  
9           San Diego Gas & Electric Company (SDG&E) and Southern California Gas  
10          Company (SoCalGas).

11           In his testimony, Mr. Van Lierop asserts that: (1) Pacific Gas and  
12          Electric Company (PG&E) should allow SoCalGas to use its Rate  
13          Schedule G-XF contract to deliver gas at the PG&E Citygate in addition to  
14          its existing right to deliver gas into the SoCalGas system; (2) the Gas  
15          Accord V revenue sharing mechanism is discriminatory because it excludes  
16          G-XF shippers and should therefore be rejected; and (3) the G-XF rates for  
17          the Gas Accord V settlement period should be lowered by the same  
18          percentage that the Noncore Redwood Path rates were lowered in the Gas  
19          Accord V Settlement relative to PG&E's initially proposed Noncore Redwood  
20          Path rates. The purpose of my testimony is to explain why SoCalGas'  
21          argument that it should be permitted to use its G-XF contract to deliver gas  
22          at the PG&E Citygate should be rejected. In short, that argument has no  
23          basis in SoCalGas' G-XF contract and is completely inconsistent with the  
24          Gas Accord structure and history.

25           PG&E witness Ray Blatter describes the ratemaking methodology and  
26          rationale for PG&E's G-XF and non-G-XF backbone rates, why G-XF  
27          shippers should not be included in the revenue sharing mechanism, and  
28          what the rate impacts to other customers would be if SoCalGas and other  
29          off-system G-XF shippers were allowed to use their G-XF contracts to  
30          deliver gas to the PG&E Citygate.

31           In his testimony, Mr. Watson asserts that the California Public Utilities  
32          Commission (CPUC or Commission) should impose new storage reporting  
33          requirements on PG&E. My testimony explains why it is not necessary or

1 appropriate to impose additional storage reporting requirements on PG&E  
2 and why, if additional reporting requirements were imposed, it would place  
3 PG&E at a competitive disadvantage with other storage providers in PG&E's  
4 service area.

5 **B. SoCalGas (as the Successor to SDG&E Under SDG&E's**  
6 **Contract) Does Not Have, and Should Not Be Given, the Right to**  
7 **Deliver Gas at the PG&E Citygate Using Its G-XF Transportation**  
8 **Contract**

9 **1. SoCalGas Is Limited to One Delivery Point in Southern California**  
10 **Under Its G-XF Contract**

11 Q 2 Does SoCalGas have a contractual right to deliver gas into PG&E's system?

12 A 2 No. Neither SDG&E nor SoCalGas (the successor to the original G-XF  
13 contract between PG&E and SDG&E) has negotiated for or received a right  
14 to use its G-XF contract to deliver gas into PG&E's system. The  
15 Commission should not permit SoCalGas to expand its contract rights  
16 unilaterally, over PG&E's objection.

17 Q 3 Please describe the history of SoCalGas/SDG&E's G-XF contract and  
18 explain why SoCalGas' argument that it has on-system delivery rights under  
19 the contract is without basis.

20 A 3 A brief review of the history of SoCalGas/SDG&E's G-XF contract reveals  
21 that SoCalGas has no contractual basis for its claim that it should be  
22 granted the right to make deliveries into PG&E's system using that contract.

23 The original contract for SDG&E's Expansion service, the Firm  
24 Transportation Service Agreement (FTSA), was fully executed on  
25 December 31, 1991 (a copy is attached hereto as Attachment 1A).  
26 Section 4.1 of that contract states:

27 This Agreement covers firm transportation of gas for Shipper's account  
28 from the interconnection with PGT [the Pacific Gas Transmission  
29 Company, now Gas Transmission Northwest] near Malin, Oregon **to the**  
30 **southern terminus(i) of the PG&E Expansion Project.** (Emphasis  
31 added.)

32 Exhibit A of that contract similarly identified the delivery point as the  
33 "southern terminus(i) of the PG&E Expansion Project." The southern  
34 terminus of the PG&E Expansion Project is and has always been located at  
35 Kern River Station, California.

1 Q 4 Was the FTSA amended after 1991?

2 A 4 Yes. On March 14, 1994, PG&E and SDG&E entered into an amendment to  
3 this contract. However, the amendment did not make any change to  
4 Exhibit A.

5 Q 5 Was the March 14, 1994 amendment submitted to the Commission?

6 A 5 Yes. On March 18, 1994, PG&E submitted Advice Letter 1839-G to the  
7 Commission seeking approval of SDG&E's FTSA, including Exhibit A, which  
8 specified the single delivery point as the southern terminus of the  
9 Expansion.

10 Just prior to PG&E's submission of this advice letter, PG&E and SDG&E  
11 entered into a Pipeline Expansion Transportation Service Agreement (the  
12 "Bridging Agreement," a copy of which is attached hereto as  
13 Attachment 1B). The purpose of the Bridging Agreement was to cover the  
14 period until the Commission acted on the advice letter (see, Section 4.1 of  
15 the Bridging Agreement). Consistent with the Expansion contract, Exhibit A  
16 to the Bridging Agreement specified a single delivery point, the "Southern  
17 Terminus of the PG&E Expansion Project."

18 **2. SoCalGas' Claim That It Should Be Permitted to Deliver Gas at**  
19 **PG&E's Citygate Under Its G-XF Contract Is Inconsistent With the**  
20 **Gas Accord**

21 Q 6 Regardless of the specific delivery point specified in SDG&E's FTSA, did  
22 PG&E's G-XF tariff generally allow for delivery point flexibility prior to the  
23 inception of the Gas Accord in 1996?

24 A 6 Yes. Prior to the first Gas Accord, PG&E's filed tariff applicable to firm  
25 Expansion service, Schedule G-XF, allowed delivery point flexibility. As  
26 PG&E explained to SDG&E in a letter dated January 18, 1996 (a copy of  
27 which is attached hereto as Attachment 1C), responding to an inquiry from  
28 SDG&E "as to whether there was anything in SDG&E's Firm Transportation  
29 Service Agreement that would prevent deliveries to PG&E's system in  
30 northern California":

31 SDG&E's Agreement with PG&E designates a delivery point in  
32 Exhibit A. Exhibit A of SDG&E's Firm Transportation Service  
33 Agreement states that the only delivery point is 'the southern terminus  
34 (i) of the PG&E Expansion Project (currently located at Kern River  
35 Station, California)'. However, PG&E's G-XF tariff, **until further or**  
36 **future revision**, allows a shipper to nominate any delivery point on the

1 Pipeline Expansion between Malin, OR and Kern River Station.  
2 (Emphasis added.)

3 Q 7 Did PG&E's original Gas Accord Application in 1996 propose revisions to  
4 PG&E's G-XF Tariff?

5 A 7 Yes. PG&E's 1996 Gas Accord Application (A.96-08-043) proposed to  
6 revise PG&E's G-XF tariff by restricting each Expansion shipper to the  
7 delivery point specified in its contract for Expansion service. With the  
8 approval of the first Gas Accord, each contract for Expansion service would  
9 be allowed to specify only a single delivery point, which was to be set forth in  
10 Exhibit A to the contract with that shipper. For SDG&E, the specified  
11 delivery point was, and is, the southern terminus of the Expansion, a  
12 delivery point from which deliveries may be made only into southern  
13 California.

14 Q 8 Did the original Gas Accord Settlement adopt this revision to the G-XF  
15 Tariff?

16 A 8 Yes. The tariffs filed by PG&E to implement the Gas Accord Settlement  
17 Agreement limited each G-XF shipper to the delivery point specified in  
18 Exhibit A to its contract. The change can be seen by comparing the  
19 language from the January 27, 1997 G-XF tariff (a copy of which is attached  
20 hereto as Attachment 1D) to the March 1, 1998 G-XF tariff (a copy of which  
21 is attached hereto as Attachment 1E). The January 27, 1997 version of the  
22 tariff (prior to the implementation of the Gas Accord on March 1, 1998)  
23 stated "Shipper may nominate any Delivery Point on the Pipeline Expansion  
24 between Malin, Oregon and Kern River Station, California." The March 1,  
25 1998 tariff implementing the Gas Accord changed the delivery point  
26 language to "Customer may nominate only to the Delivery Point set forth in  
27 Exhibit A to the Customer's FTSA." Exhibit A to SDG&E's contract limited it  
28 to the southern terminus of the Expansion.

29 Q 9 Was SDG&E aware of how the Gas Accord market structure affected its  
30 delivery rights under its G-XF contract, and did it explicitly agree to this  
31 limitation?

32 A 9 Yes. SDG&E was an active participant in the Gas Accord proceedings. On  
33 December 2, 1996, after having been a party to the Gas Accord proceedings  
34 for months, SDG&E signed an "Amendment to the Firm Transportation  
35 Service Agreement Between San Diego Gas & Electric Company and



1 Pacific Gas and Electric Company” (a copy of which is attached hereto as  
2 Attachment 1F), agreeing, in paragraph 9, to “actively support PG&E’s Gas  
3 Accord before the CPUC.”

4 This Amendment made no change to Exhibit A, which continued to  
5 specify a single, off-system delivery point. Furthermore, in paragraph 7, the  
6 Amendment states that “SDG&E agrees to deliver all gas transported under  
7 this amendment off PG&E’s system, using the delivery point specified in  
8 Exhibit A attached to the original FTSA” and that, after the end of the Gas  
9 Accord (i.e., the end of the “Negotiated Period” under the Amendment),  
10 “SDG&E shall have a right to whatever delivery point options are available in  
11 effective CPUC-approved tariffs applicable to long-term firm Expansion  
12 service.” As already noted, the currently effective G-XF tariff on file with the  
13 Commission limits G-XF shippers to the delivery point specified in each  
14 shipper’s respective Exhibit A.

15 Q 10 Is SoCalGas’ request that it be granted the right to utilize both on-system  
16 and off-system delivery points under its G-XF contract consistent with the  
17 Gas Accord structure and Settlements?

18 A 10 No. As explained in PG&E’s 1996 Gas Accord Application (A.96-08-043),  
19 the limitation of Expansion shippers’ service to a single delivery point was  
20 (and still is) a fundamental prerequisite for the Gas Accord. It is necessary  
21 to prevent a financial windfall to those Expansion shippers at the expense of  
22 PG&E’s other ratepayers and shareholders. As the motion to adopt the  
23 1996 Gas Accord Settlement Agreement explained:

24 As part of the Gas Accord, PG&E will assume 100 percent of the  
25 throughput risk associated with all PG&E intrastate transmission. One  
26 portion of this capacity is currently used by firm Expansion shippers  
27 under 30-year contracts. PG&E constructed the Pipeline Expansion in  
28 reliance on the firm 30-year commitments of these shippers and on the  
29 fact that lower-priced Canadian gas would be transported to Southern  
30 California, as well as into PG&E’s service territory. Because of the  
31 significant financial risk assumed by PG&E in constructing new capacity  
32 for this purpose, **implementation of the Gas Accord is not feasible**  
33 **for PG&E’s shareholders unless the Commission supports and**  
34 **approves the G-XF modifications.... These modifications preserve**  
35 **the rights of these shippers without giving them a potential**  
36 **windfall** due to the unbundling under the Gas Accord.

37 ...Under today’s postage-stamp rates and bundled transportation  
38 system, delivery-point flexibility raises no significant issues, but in the  
39 unbundled and rate-differentiated world of the Accord, **these shippers**  
40 **could receive a wholly undeserved financial windfall at the expense**

1 of PG&E's shareholders. This windfall could occur if these  
2 shippers, especially those located in Southern California, are  
3 permitted to drop gas off in the PG&E service territory, displacing  
4 gas that otherwise would have been transported over Line 300.

5 Since at least 1991, two years before the commercial operation of the  
6 Expansion, PG&E has clearly stated to firm Expansion shippers that  
7 delivery-point flexibility would not be permitted if it created a revenue  
8 shortfall for PG&E. In this context, the limitation on delivery points in the  
9 Gas Accord Settlement is no change from the original "benefit of the  
10 bargain." (A.96-08-043, Motion for Order Adopting Stipulation and  
11 Settlement Agreement and for Other Procedural Rulings at 33-34;  
12 emphasis added.)

13 Q 11 Would allowing SoCalGas on-system delivery rights under its Expansion  
14 contract upset a fundamental tenet of the Gas Accord structure that has  
15 been in place for more than 12 years?

16 A 11 Yes, for the same reasons described above. The basic structure of the Gas  
17 Accord has been supported by PG&E's customers and affirmed by the  
18 Commission under several successive Gas Accord settlements since the  
19 first Gas Accord. This structure has worked to the benefit of backbone  
20 shippers and their customers. As a policy matter, the Commission should  
21 not now change a fundamental component of the Gas Accord simply to give  
22 SoCalGas a financial windfall that was not a part of the original or  
23 subsequent Gas Accords and is not provided for in SoCalGas' G-XF  
24 contract.

25 **3. The Single Document That SoCalGas Holds Up as Evidence of Its**  
26 **Right to Deliver Gas to the PG&E Citygate Did Not Confer Such a**  
27 **Right**

28 Q 12 Is there any document that SoCalGas relies upon for its claim that it has  
29 on-system delivery rights under its Expansion contract?

30 A 12 The only document to which SoCalGas points is a version of Exhibit A that  
31 appears to grant SDG&E (the predecessor to SoCalGas under the  
32 Expansion contract) the delivery point flexibility it now seeks. This document  
33 does not in fact provide such flexibility. The exhibit referenced by SoCalGas  
34 (a copy of which is attached hereto as Attachment 1G), was executed by  
35 SDG&E and PG&E on November 5 and 6, 1997, respectively. It lists the  
36 same delivery quantity for both the southern terminus of the Expansion and  
37 "Into the PG&E Intrastate Distribution System in Northern California" for the  
38 period "From August 1, 2003 to 'See Section 4.1.'" The reference to

1 Section 4.1 creates an end date that has no discoverable referent or  
2 meaning.

3 It is clear from the circumstances surrounding the execution of this  
4 version of Exhibit A that the apparent grant of two delivery points in this  
5 Exhibit A represents nothing other than a clerical error made by PG&E.

6 Q 13 Please describe the circumstances surrounding the execution of this version  
7 of Exhibit A.

8 A 13 The November 1997 Exhibit resulted from a request by SDG&E to assign a  
9 portion of its Expansion capacity to an entity named "Husky" for a limited  
10 term. At the end of the term of this assignment, July 31, 2003, all of the  
11 capacity was to revert to SDG&E.

12 Q 14 Did the parties ever discuss a change in SDG&E's or Husky's contractual  
13 delivery rights in connection with this assignment?

14 A 14 No. All communications related to this matter and Exhibit A concerned the  
15 partial assignment to Husky and the return of capacity to SDG&E at the end  
16 of the assignment term. At no time did SDG&E (or Husky) request an  
17 additional delivery point, nor did PG&E state that it was agreeing to give an  
18 additional delivery point—either during the period of the assignment to  
19 Husky or following the return of the assigned capacity to SDG&E.

20 As the cover letter from PG&E to SDG&E makes clear (a copy of which  
21 is attached hereto as Attachment 1H), PG&E sent two documents meant  
22 only to reflect the requested partial assignment to Husky: (1) the "Notice of  
23 Assignment"; and (2) the "Pipeline Expansion Firm Transportation Service  
24 Agreement Exhibit...revised to reflect remaining quantities that will continue  
25 to be associated with this contract." As a partial assignment of capacity, this  
26 request was merely a clerical matter for PG&E. However, in revising the  
27 Exhibit A to reflect the partial assignment, someone at PG&E made an error  
28 and inserted SDG&E's contract quantity in two places, including the northern  
29 California delivery point instead of only the southern terminus of the  
30 Expansion.

31 Q 15 Would PG&E have agreed to grant SDG&E additional delivery points when it  
32 agreed to the assignment to Husky for a limited time?

33 A 15 No. In light of PG&E's efforts in the Gas Accord to limit Expansion shippers'  
34 deliveries to a single delivery point, as set forth in their respective Exhibits A,

1 and PG&E's success in obtaining the agreement of those shippers, including  
2 SDG&E, to such a limitation, it is inconceivable that PG&E would intend  
3 simply to give away such a right as a throw-away item in an otherwise  
4 administrative matter such as a partial assignment of capacity for a limited  
5 term.

6 In any event, SDG&E never requested the additional delivery point,  
7 never offered consideration for the additional delivery point, and the parties  
8 never discussed the issue of whether this assignment should become the  
9 occasion for the granting of flexible delivery points under the G-XF tariff.

10 Q 16 Did SDG&E, Husky or SoCalGas ever attempt to utilize the delivery point  
11 flexibility that SoCalGas claims to have been granted by the 1997  
12 amendment to Exhibit A?

13 A 16 No. From November 1997, when the erroneous exhibit was mistakenly  
14 created and executed, until 2008, when SoCalGas apparently discovered  
15 the erroneous reference in the exhibit and brought it to PG&E's attention,  
16 neither SDG&E, nor SoCalGas, nor Husky attempted to use this purported  
17 delivery point flexibility.

18 **4. Granting SoCalGas the Delivery Point Flexibility It Now Seeks**  
19 **Would Adversely Impact the Other Customers on PG&E's System**

20 Q 17 How would granting SoCalGas the delivery point flexibility it now seeks harm  
21 PG&E's other shippers?

22 A 17 During the 1996 Gas Accord proceedings, PG&E stated that the revenue  
23 shortfall that would result from the use of an on-system delivery point by  
24 those Expansion shippers located in southern California would be  
25 significant. Since SoCalGas is only one of those shippers, the financial  
26 impact of granting only SoCalGas this on-system delivery point flexibility  
27 would be less than if all G-XF shippers were granted such flexibility. Still,  
28 the amount of revenue shortfall which PG&E would experience if SoCalGas'  
29 request is granted would be up to \$7.6 million annually, based on the Gas  
30 Accord V Settlement rates and assuming that SoCalGas' G-XF deliveries  
31 would displace as-available service that PG&E would otherwise provide on  
32 its Baja Path. If the CPUC were to grant other GX-F shippers the same  
33 right, the shortfall would increase by an additional \$5.0 million in 2011 and  
34 \$4.1 million annually in the years 2012-2014. Because SoCalGas' G-XF

1 contract is essentially evergreen, the total revenue shortfall would be  
2 staggering, unless that shortfall is allocated directly to other shippers in the  
3 form of increased backbone rates.<sup>[1]</sup> If SoCalGas' claim is accepted by this  
4 Commission, the shortfall would be borne by either PG&E's shareholders,  
5 other backbone shippers, or both. For the reasons set forth above, PG&E  
6 believes neither of these potential results is reasonable nor equitable.

7 **C. The Commission Should Not Impose SoCalGas/SDG&E's**  
8 **Recommended Posting Requirements for Gas Storage Projects**  
9 **on PG&E**

10 Q 18 What posting requirements related to PG&E's storage business does  
11 SoCalGas/SDG&E seek to impose on PG&E?

12 A 18 SoCalGas/SDG&E seek to impose on PG&E the requirement to post the  
13 information posted by storage providers subject to Federal Energy  
14 Regulatory Commission (FERC) jurisdiction under Section 7(c) of the  
15 Natural Gas Act. Such postings, among other things include (upon first  
16 nomination) customer identity, contract duration, contract quantity, rate  
17 charged, and affiliate relationship. In addition, FERC requires that an index  
18 of customers (including much of the same information) to be posted  
19 quarterly. FERC also requires details of capacity release transactions to be  
20 posted as well as information about storage field capacity and  
21 injection/withdrawal capability plus scheduled volumes into and out of  
22 storage.

23 Q 19 SoCalGas claims that customers for SoCalGas' unbundled storage services  
24 shop for competitive alternatives with the northern California storage fields.  
25 Do SoCalGas and PG&E compete in the same storage market?

26 A 19 No. SoCalGas and PG&E compete in different Citygate markets, each  
27 market representing primarily its own "on-system" customers. Furthermore,  
28 in contrast to SoCalGas, which has no storage competitors located in its  
29 southern California service territory, PG&E faces direct competition in its  
30 northern California service territory from three existing storage competitors,  
31 and a potential fourth competitor for which the CPUC has recently issued a

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[1] PG&E witness Ray Blatter provides an estimate of the higher backbone rates that would be necessary during 2011-2014 if all G-XF shippers with off-system delivery points were allowed to deliver on-system.

1 Proposed Decision (PD) in Application 09-08-008 that grants a Certificate of  
2 Public Convenience and Necessity (CPCN).[2]

3 Q 20 In the competitive northern California storage market, would it be  
4 appropriate to require PG&E to post transaction details that PG&E's  
5 competitors are not required to post?

6 A 20 No. Posting by PG&E of the information requested by SoCalGas, but not  
7 requiring similar postings by PG&E's direct competitors, would put PG&E at  
8 a competitive disadvantage in terms of information known about its  
9 business. SoCalGas seems to recognize this in its testimony, in which  
10 Mr. Watson states that all storage providers should be subject to the same  
11 posting requirements. (Section D, Recommendation, p. 3, lines 19-21).  
12 Mr. Watson reinforces his recognition of the competitive disadvantage in his  
13 discussion on page 14 by commenting that the solution to potential PG&E  
14 concerns about competitive disadvantage is simply to require all storage  
15 providers to post the same information (Section I, Level Playing Field  
16 Concerns Can Be Addressed). However, as discussed below, it may make  
17 take years or decades if ever to have a level playing field in northern  
18 California.

19 Q 21 Is SoCalGas an active participant in the northern California gas market?

20 A 21 No. SoCalGas is not an active participant in the northern California gas  
21 market. SoCalGas has never sold nor purchased any PG&E or other gas  
22 storage capacity in PG&E's service area. Additionally, SoCalGas has only  
23 transported insignificant amounts of gas from its system to the PG&E  
24 service area. Specifically, from January 1, 2005 through August 31, 2010,  
25 receipts at the SoCalGas receipt point at Kern River Station (excluding the  
26 volumes related to the Southwest Gas Exchange Agreement) have  
27 averaged only 1,898 decatherm per day, or 0.09 percent (less than a tenth  
28 of a percent), of total PG&E on-system receipts. Thus, SoCalGas cannot  
29 claim that its storage marketing activities are in direct competition with  
30 PG&E's gas storage marketing activities. Therefore, any adverse effects

---

[2] The three existing northern California Independent Storage Providers (ISP) are Lodi Gas Storage, Wild Goose Storage and Gill Ranch Storage. The fourth ISP for which a PD granting a CPCN has been issued is the Central Valley Gas Storage (CVGS) project.

1 created by different posting requirements in northern and southern California  
2 would be extremely limited.

3 Q 22 How does SoCalGas suggest that storage reporting requirements could be  
4 imposed on PG&E's gas storage competitors?

5 A 22 Mr. Watson suggests on page 14 that the Commission impose posting  
6 requirements on the various gas storage providers in northern California  
7 when they seek approval to expand existing fields or propose new projects.  
8 Obviously, this means there will not be a level playing field in that not all  
9 projects would face the same posting requirements at the same time, and it  
10 could take many years, if ever, before all or even the majority of projects  
11 were required to report. Moreover, if an existing project never pursues an  
12 expansion, the disparity in reporting requirements would be permanent.  
13 This would place the projects that are required to report at a competitive  
14 disadvantage to those that do not have to report.

15 Q 23 Is correlation between the PG&E and SoCalGas Citygate prices, as  
16 Mr. Watson describes in his testimony on page 9, lines 6-7, a good  
17 justification for SoCalGas' posting recommendations?

18 A 23 No. Price correlations occur all over the country, but that does not mean  
19 that those markets are interrelated. For example, a correlation can be  
20 calculated between the PG&E Citygate and Henry Hub in Louisiana, but that  
21 calculated correlation does not mean that participants in those two markets  
22 are competing for the same business.

23 Q 24 Why are the SoCalGas and PG&E storage posting requirements different?

24 A 24 SoCalGas agreed to increase the amount of storage information it posts as  
25 a way to help resolve issues that are unique to SoCalGas. Despite its  
26 assertions that its posting recommendations are "for the benefit of all  
27 storage customers and thereby of all gas consumers in California"  
28 (Witness Watson, p. 14, lines 15-16), SoCalGas agreed to its current  
29 posting requirements to settle claims of market manipulation made against  
30 it, as the CVGS proceeding PD notes. No similar claims have ever been  
31 made against PG&E and what SoCalGas may have chosen to do in  
32 settlement does not support the imposition of new posting requirements on  
33 other gas storage providers, including but not limited to PG&E.

1 Q 25 Has the CPUC previously examined market transparency and the need for  
2 posting requirements?

3 A 25 Yes. The CPUC recently looked at this very issue in the CVGS CPCN  
4 proceeding. In the PD, the Commission found no credible reason to adopt  
5 SoCalGas' recommendation that CVGS should comply with the same gas  
6 storage posting requirements applicable to SoCalGas. SoCalGas has  
7 proposed similar but not identical requirements for PG&E in this application.  
8 Unlike SoCalGas' role in northern California, PG&E and CVGS do directly  
9 compete in the northern California gas storage market. PG&E should not be  
10 required to expand its already extensive reporting requirements if the same  
11 conditions are not imposed on its CPUC-regulated competitors.  
12 Furthermore, despite claims that SoCalGas believes all storage providers  
13 should post expansive transactional details, SoCalGas did not raise this  
14 issue in the recent Wild Goose Expansion proceeding (A.09-04-021), where  
15 it could have made the same argument. PG&E's current posting  
16 requirements have been developed in various proceedings over a number of  
17 years during administration of the Gas Accord. PG&E's customers and  
18 other interested parties have been represented in those proceedings and,  
19 other than SoCalGas, have collectively agreed that the existing  
20 requirements are sufficiently transparent.

21 Q 26 What information does PG&E currently post regarding its storage program?

22 A 26 PG&E already reports, on a monthly basis, all negotiated gas storage  
23 contracts and reports quarterly the names of firm storage contract holders.  
24 The negotiated contracts report includes the tariff schedule, maximum daily  
25 quantity, dates effective during the month, rate charged and affiliate  
26 information. PG&E does not post so called "capacity release" information  
27 because PG&E does not offer such a program in the FERC mode as PG&E  
28 and its shippers did not provide for such a program in the various Gas  
29 Accord settlements. Moreover, PG&E posts on its website daily information  
30 about each storage provider's injection and withdrawal activity.

31 I should note that no active participant in the northern California market  
32 has approached PG&E or the CPUC to express a need for PG&E to post  
33 additional storage information.



1 Q 27 How does transactional information required to be posted by state regulated  
2 storage providers in Texas compare to the information that PG&E is  
3 currently required to post?

4 A 27 It is very similar. SoCalGas holds up the Railroad Commission (RRC) of  
5 Texas as an example of a state that has imposed storage reporting  
6 requirements. However, the Texas RRC requirements are similar to  
7 PG&E's, including storage quantities and rates.

8 Q 28 To the extent that increased posting requirements caused PG&E to be less  
9 successful in its storage marketing efforts, who would potentially bear the  
10 risk of revenue shortfalls?

11 A 28 Under the Gas Accord V revenue sharing mechanism, if PG&E is in a  
12 storage revenue over-collection mode, both ratepayers and PG&E  
13 shareholders would bear the risk. If PG&E is in a storage revenue  
14 under-collection mode, only PG&E shareholders would bear the risk.

#### 15 **D. Conclusion**

16 Q 29 Is there anything you would like to say in conclusion?

17 A 29 Yes. Mr. Van Lierop's recommendations regarding the expansion of  
18 SoCalGas' GX-F delivery point rights should be rejected. I have shown on  
19 both a contractual and policy basis why the addition of on-system delivery  
20 point rights to SoCalGas' GX-F contract is unwarranted and would result in  
21 inappropriate cost shifting.

22 In addition, Mr. Watson's recommendation that the Commission impose  
23 upon PG&E the FERC storage reporting requirements should be rejected.  
24 The information that PG&E currently posts about storage transactions was  
25 agreed upon through various Gas Accord deliberations and approved by the  
26 CPUC. Furthermore, expansion of PG&E's existing requirements would put  
27 PG&E at a competitive disadvantage vis-à-vis other northern California  
28 storage providers with whom PG&E directly competes but that do not have  
29 to post the same information.

30 Q 30 Does this conclude your testimony?

31 A 30 Yes, it does.

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1A**

**FIRM TRANSPORTATION SERVICE AGREEMENT**  
(Applicable To Service Under Rate Schedule XT-1)

THIS AGREEMENT is made and entered into this  
31st day of December, 1991, by and  
between

PACIFIC GAS AND ELECTRIC COMPANY, a California  
corporation (hereinafter referred to as "PG&E"),

and

SAN DIEGO GAS & ELECTRIC COMPANY, a corporation  
existing under the laws of the State of California (hereinafter  
referred to as "Shipper").

WHEREAS, PG&E owns and operates an existing intrastate natural gas pipeline system which is interconnected with the interstate pipeline facilities of Pacific Gas Transmission Company ("PGT") at the Oregon-California border near Malin, Oregon; and

WHEREAS, PG&E has received a Certificate of Public Convenience and Necessity from the California Public Utilities Commission ("CPUC") in Decision No. 90-12-119 authorizing it to construct an expansion of the mainline transmission portion of its intrastate pipeline system (hereafter referred to as the "PG&E Expansion Project") that will transport natural gas from a point of interconnection with PGT to points of interconnection to PG&E's Intrastate Distribution Pipeline System (for purposes of this Agreement "PG&E's Intrastate Distribution Pipeline System" shall mean the non-mainline transmission and distribution portion of PG&E's intrastate system), and/or to the southern terminus(i) of the PG&E Expansion Project (currently located at Kern River Station, California); and

WHEREAS, Shipper desires PG&E to transport, on a firm basis, certain quantities of natural gas; and

WHEREAS, PG&E is willing, on a firm basis, to transport certain quantities of natural gas for Shipper; and

WHEREAS, certain cost allocation issues relating to the cost to Shipper of the firm transportation service to be provided by PG&E to Shipper pursuant to this Agreement are not fully resolved before the CPUC; and

WHEREAS, Shipper and PG&E understand the necessity of executing this Agreement before these cost allocation issues can be fully resolved; and

WHEREAS, PG&E has agreed to propose, and Shipper has agreed to support before the CPUC, a rate design methodology that (a) employs a rolled-in cost allocation for firm transportation service to PG&E's Intrastate Distribution Pipeline System and (b) employs the Original Methodology (as defined in Paragraph 6.3(b) of this Agreement) for firm transportation service to the southern terminus(i) of the PG&E Expansion Project.

NOW, THEREFORE, the parties agree as follows:

### GOVERNMENTAL AUTHORITY

1.1 This Agreement is made pursuant to the regulations of the CPUC. Shipper agrees not to take or to support any action which is intended to or is reasonably likely to subject PG&E's operation of the PG&E Expansion Project to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") or any successor to the FERC. Any such action by Shipper, may, at PG&E's option, be cause for termination of this Agreement unless Shipper immediately undertakes and carries out sufficient and effective curative actions to avoid such result following written notice from PG&E. Shipper is not precluded from exercising its full rights of participation in any proceeding before the FERC regarding PGT and any other FERC regulated interstate pipeline which currently transports gas to California or which has or will propose such service.

1.2 This Agreement is subject to all valid legislation with respect to the subject matters hereof, either state or federal, and to all valid present and future decisions, orders, rules, regulations and ordinances of all duly constituted governmental authorities having jurisdiction.

1.3 This Agreement shall at all times be subject to such changes or modifications by the CPUC as it may, from time to time, direct in the exercise of its jurisdiction (CPUC G.O. 96-A). Should the CPUC modify or change the terms or conditions of this Agreement in the exercise of its jurisdiction, and should such modification or change materially affect either party, PG&E and Shipper shall negotiate in good faith to accommodate any changes or modifications that the CPUC may direct. Such negotiated terms shall be subject to approval by the CPUC. Except for Paragraphs 3.4, 3.5, and 3.6 of this Agreement, if PG&E and Shipper do not reach agreement on accommodation of any such decision by the CPUC, then the changes or modifications shall be made as ultimately directed by the CPUC.

1.4 Shipper and PG&E shall use all reasonable efforts to support the CPUC's adoption of cost allocations that result in rates and charges to Shipper as specified in Paragraphs 6.3(b) and 6.4(a) of this Agreement. Such efforts shall include Shipper support during the Initial Period (as defined in Paragraph 6.3(a) of this

Agreement) of efforts by PG&E to gain CPUC approval of a full fixed variable rate design methodology as set forth in this Agreement.

1.5 Shipper and PG&E shall use all reasonable efforts to support CPUC approval of this Agreement, except as otherwise provided in Paragraph 6.2.

## II QUANTITY OF GAS

2.1 The Maximum Daily Quantity of gas, as defined in Paragraph 1.10 of the General Terms and Conditions, which PG&E is required to deliver for Shipper's account to Shipper's point(s) of delivery, is set forth in Exhibit A of this Agreement.

2.2 The maximum quantity of gas which Shipper has a right to deliver to PG&E at the point of receipt, as identified in Exhibit A, equals the Maximum Daily Quantity plus an amount for fuel and line losses as set forth in PG&E's current Statement of Effective Rates and Charges applicable to service rendered under PG&E's Rate Schedule XT-1, or superseding rate schedule(s).

2.3 PG&E's obligation to deliver Shipper's gas from the Shipper's point of receipt to the Shipper's point(s) of delivery is limited to the actual quantity of gas, measured in MMBtu's received by PG&E for Shipper's account at Shipper's point of receipt less Shipper's requirement to provide fuel and line losses, as set forth in PG&E's current Statement of Effective Rates and Charges applicable to service rendered under PG&E's Rate Schedule XT-1, or superseding rate schedule(s), up to Shipper's Maximum Daily Quantity.

## III TERM OF AGREEMENT

3.1 Upon execution by PG&E, by a date no later than thirty (30) days after PG&E's receipt of this Agreement executed by Shipper, this Agreement shall become effective as of the date first shown above and shall continue in full force and effect until terminated (a) pursuant to this Article III or (b) 30 years from the later of November 1, 1993, or the Commercial Operation Date ("Initial Term"). Thereafter, this Agreement shall continue in effect from year to year (or for a longer period if agreed to by PG&E and Shipper) ("Subsequent Term"), unless Shipper gives PG&E twelve (12) months prior written notice of Shipper's desire to terminate this Agreement.

3.2 For the purposes of this Agreement, the term "Commercial Operation Date" shall mean the date that PG&E first places the PG&E Expansion Project in commercial operation. PG&E will place the PG&E Expansion Project in commercial operation when, in PG&E's sole discretion and based on PG&E's engineering judgment,

the PG&E Expansion Project is ready to provide the full amount of the firm transportation service authorized by the CPUC in Decision No. 90-12-119. Notwithstanding the foregoing, the PG&E Expansion Project will not commence commercial operation before the pipeline expansion contemplated by PGT, under its Rate Schedule T-3 (or superseding rate schedule(s)) commences full commercial operation and the pipeline expansion contemplated by Alberta Natural Gas Company, Ltd ("ANG"), in its May 1990 application to the National Energy Board of Canada, commences full commercial operation.

3.3 PG&E may terminate this Agreement: (a) at any time within one (1) year from the effective date of this Agreement, if PG&E, in its reasonable business judgment, decides not to complete the PG&E Expansion Project; or (b) at any time following such one (1) year period PG&E decides not to complete the PG&E Expansion Project because events beyond PG&E's reasonable control (including fire, explosion, flood, earthquake, or other acts of God, changes in laws or regulations, or orders of governmental agencies), render the PG&E Expansion Project economically impractical.

3.4 (a) If, prior to the Commercial Operation Date, PG&E is effectively prohibited from establishing rates and charges in accordance with Paragraph 6.3(b) of this Agreement, as a result of a decision of the CPUC or otherwise, PG&E shall promptly provide written notice thereof to Shipper stating specifically the reason why PG&E is effectively prohibited from compliance with Paragraph 6.3(b). In this event Shipper shall not be entitled to terminate this Agreement and PG&E shall pay Shipper for each applicable month an amount equal to the savings in PG&E's rates and charges that would have occurred if Paragraph 6.3(b) had been implemented ("Required Amount"). If PG&E does not pay said Required Amount within 30 days of the last day of the month in which the Required Amount is due, then PG&E shall be in breach. Shipper and PG&E agree that if PG&E is in breach under this subparagraph, Shipper shall not be entitled to terminate this Agreement, but Shipper shall be entitled to collect any Required Amount past due as liquidated damages along with reasonable attorney fees, costs and interest, if any, incurred to collect the liquidated damages from PG&E, and Shipper shall further be entitled to receive assurances that it will receive all Required Amounts due under this subparagraph in the future. All Required Amounts due under this subparagraph are to be paid, as nearly as possible, at the same time that the corresponding savings would have been realized if Paragraph 6.3(b) had been implemented.

(b) If, prior to the Commercial Operation Date, PG&E notifies Shipper in writing that it will not provide Shipper the rates and charges as determined in accordance with Paragraph 6.3(b), for any reason other than a prohibition on the establishment of such rates and charges as described in subparagraph (a) above, Shipper may then terminate this Agreement by notifying PG&E in writing within sixty (60) days from the date PG&E notifies Shipper.

3.5 (a) If, after the Commercial Operation Date, PG&E is effectively prohibited from establishing or maintaining rates and charges in accordance with

Paragraph 6.3(b) as a result of a decision of the CPUC or otherwise, PG&E shall promptly provide written notice thereof to Shipper stating specifically the reason why PG&E is effectively prohibited from compliance with Paragraph 6.3(b). In this event Shipper shall not be entitled to terminate this Agreement and PG&E shall pay Shipper for each applicable month an amount equal to the savings in PG&E's rates and charges that would have occurred if Paragraph 6.3(b) had been implemented ("Required Amount"). If PG&E does not pay said Required Amount within 30 days of the last day of the month in which the Required Amount is due, then PG&E shall be in breach. Shipper and PG&E agree that if PG&E is in breach under this subparagraph, Shipper shall not be entitled to terminate this Agreement, but Shipper shall be entitled to any past due Required Amount as liquidated damages along with reasonable attorney fees, costs and interest, if any, incurred to collect the liquidated damages from PG&E, and Shipper shall further be entitled to receive assurances that it will receive all Required Amounts due in the future. All Required Amounts due under this subparagraph are to be paid, as nearly as possible, at the same time that the corresponding savings would have been realized if Paragraph 6.3(b) had been implemented.

(b) If after the Commercial Operation Date, PG&E refuses to provide the rates and charges under Paragraph 6.3(b) for any reason other than that specified in Paragraph 3.5(a) of this Agreement, Shipper shall have all rights and all obligations in accordance with the principles of California law, including but not limited to the obligation to mitigate.

3.6 If PG&E elects to terminate this Agreement pursuant to Paragraph 3.3, or Shipper elects to terminate this Agreement pursuant to Paragraph 3.4(b), PG&E shall coincidentally accept the assignment of, or otherwise relieve Shipper of all obligations under, its firm transportation agreements for corresponding capacity on the PGT and ANG pipeline expansions.

3.7 Except as otherwise provided in Paragraph 3.6, if Shipper in accordance with Paragraph 3.4(b) of this Agreement or PG&E in accordance with Paragraph 3.3 of this Agreement or Paragraph 12 (entitled Reservation Charge Relief) of PG&E's Rate Schedule XT-1 (or superseding rate schedule(s)) terminates this Agreement in good faith, Shipper shall not be liable to PG&E and PG&E shall not be liable to Shipper for any costs or injury related to this Agreement.

3.8 Neither party may terminate this Agreement during the Initial Term of the Agreement except as provided in Paragraphs 1.1, 3.3, 3.4(b), the termination rights, if any, provided under Paragraph 3.5(b) of this Agreement, and Paragraphs 9.3 (entitled Failures to Pay) and 12 (entitled Reservation Charge Relief) of PG&E's Rate Schedule XT-1 (or superseding rate schedule(s)).

IV  
POINTS OF RECEIPT AND DELIVERY

4.1 This Agreement covers firm transportation of gas for Shipper's account from the interconnection with PGT near Malin, Oregon to the southern terminus(i) of the PG&E Expansion Project. It is Shipper's responsibility to make all its arrangements necessary from its delivery point(s) on the PG&E Expansion Project to its ultimate end-use destination(s) within the state of California.

4.2 The point(s) of delivery of gas is/are designated in Exhibit A of this Agreement.

(a) In the event that the Commercial Operation Date occurs prior to completion of the connecting downstream pipeline and interconnection facilities owned by Southern California Gas Company ("Downstream Facilities") PG&E will, on a temporary basis until such time as the Downstream Facilities are completed and operational, make all reasonable efforts within then existing operational limitations to deliver any Valid Nomination (as defined in Paragraph 4.2(b) of this Agreement) either physically or by exchange to alternate firm receipt points specified in Shipper's Restated Long-Term Wholesale Natural Gas Service Contract with Southern California Gas Company effective September 1, 1990, as amended or superseded. If PG&E is unable to deliver a Valid Nomination during the period in which the Commercial Operation Date has occurred but the Downstream Facilities are not completed, and if Shipper is paying rates and charges as specified in Paragraph 6.4(a) of this Agreement, then Shipper shall receive a billing credit equal to the quantity of undelivered Valid Nominations times the delivery rate specified in PG&E's Rate Schedule XT-1 (or superseding rate schedule(s)) for deliveries to the southern terminus(i), unless Shipper is otherwise able to use, assign, or receive reimbursement for its PG&E Expansion Project firm transportation capacity. Shipper shall not receive such billing credit if Shipper is paying rates and charges other than those specified in Paragraph 6.4(a) of this Agreement.

(b) For the purposes of this Agreement, a Valid Nomination shall mean for any day, the lesser of: (1) the Shipper Maximum Daily Quantity or (2) the quantity of gas that the connecting upstream pipeline is capable of delivering to PG&E for Shipper's account at Shipper's point of receipt on PG&E less Shipper's requirement to provided compressor fuel and line losses on PG&E or (3) Shipper's nomination to PG&E.

(c) Following the date that the Downstream Facilities are completed and operational, in the event that an operating problem occurs which would result in curtailment of Shipper's volumes through the point(s) of delivery specified in Exhibit A, PG&E will, on a temporary basis until such time as the operating problem is corrected, make reasonable efforts within then existing operational limitations to deliver Shipper's gas either physically or by exchange to alternate firm receipt points specified in Shipper's Restated Long-Term Wholesale Natural Gas Service Contract with Southern California Gas Company effective September 1, 1990, as amended or superseded.



4.3 The point of receipt of gas deliveries to PG&E is the interconnection of the PG&E Expansion Project with PGT near the vicinity of Malin, Oregon, as designated in Exhibit A of this Agreement.

4.4 (a) The delivery pressure of the PG&E Expansion Project at the southern terminus(i) of the PG&E Expansion Project shall be at a minimum pressure as specified in the applicable contractual agreement(s) with the connecting downstream pipeline and PG&E, and shall be of a design sufficient to deliver Shipper's Maximum Daily Quantity into the connecting downstream pipeline. PG&E as part of the PG&E Expansion Project, shall otherwise cooperate and coordinate with said connecting downstream pipeline as specified in said agreement(s).

(b) PG&E shall submit promptly to Shipper, as available from time to time, any proposal ("Proposal") regarding the necessity for, nature of (e.g. size, cost, design) and schedule for construction (including ordering materials) related to completing the Downstream Facilities (except to the extent that such Proposal contains proprietary information). Shipper may consult with PG&E concerning any Proposal and PG&E shall respond to any such Proposal in a reasonable and timely manner.

## V

### OPERATING PROCEDURE

5.1 Shipper and PG&E shall conform to the operating procedures set forth in the General Terms and Conditions.

5.2 Shipper shall furnish gas for compressor fuel and line losses as set forth in PG&E's current Statement of Effective Rates and Charges applicable to service rendered under Rate Schedule XT-1, or superseding rate schedule(s).

## VI

### RATES

6.1 Except as provided in Paragraph 6.3 and 6.4, of this Agreement, Shipper shall pay PG&E each month all rates applicable to services rendered pursuant to this Agreement in accordance with PG&E's Rate Schedule XT-1 (or superseding rate schedule(s)) and PG&E's current Statement of Effective Rates and Charges applicable to firm transportation service rendered under PG&E's Rate Schedule XT-1 (or superseding rate schedule(s)) all of which are on file with and subject to the jurisdiction of the CPUC.

6.2 Except as provided under Paragraphs 1.4, 6.3, and 6.4 of this Agreement, PG&E shall have the unilateral right from time to time to propose and file with the CPUC changes in the rates and charges applicable to transportation services pursuant to this Agreement, the rate schedule under which this service is hereunder

provided, or any provisions of the General Terms and Conditions. Except as provided under Paragraph 1.4 of this Agreement, Shipper shall have the right to protest any such changes proposed by PG&E and to exercise any other rights that Shipper may have with respect thereto.

6.3 (a) For the first ten years following the later of November 1, 1993 or the Commercial Operation Date ("Initial Period"), Shipper shall pay rates and charges as specified in Paragraph 6.4 of this Agreement.

(b) Provided, however, during the Initial Period charges pursuant to Paragraphs 6.1 and 6.4 of this Agreement shall not be more than what such rates and charges would be if calculated using the Original Methodology. For the purposes of this Agreement, the term "Original Methodology" shall mean the original incremental, postage stamp cost allocation methodology approved by the CPUC in its Decision No. 90-12-119 and modified in CPUC Decision No. 91-06-017 to include the allocated incremental cost allocation methodology adopted therein. Following the Initial Period, Shipper shall pay rates and charges as specified in Paragraph 6.1 of this Agreement.

6.4 If, during the Initial Period, in determining rates for customers, the CPUC adopts an allocation methodology whereby all costs not allocated to Shipper pursuant to Paragraph 6.4(a) of this Agreement are fully allocated to other customers, then Shipper shall pay rates and charges as specified in Paragraph 6.4(a) of this Agreement. If the CPUC fails to adopt an allocation methodology whereby all costs not allocated to Shipper pursuant to Paragraph 6.4(a) of this Agreement are fully allocated to other customers, then Shipper shall pay rates and charges as specified in Paragraphs 6.1 and 6.4(c).

(a) Shipper shall pay PG&E each month rates and charges on a full fixed variable rate methodology which is comprised of two parts:

(i) a demand charge equal to one-twelfth the Firm Fixed Annual Revenue Requirement times the Shipper's Maximum Daily Quantity divided by the Adjusted Total Quantity;

(ii) a variable volumetric rate designed to recover all variable costs, if any, which are so identified in a CPUC rate proceeding times Shipper's actual monthly volumes received at delivery point(s).

(b) For purposes of this Agreement, the term "Firm Fixed Annual Revenue Requirement" shall mean the portion of the Expansion Project revenue requirement which shall include return on equity and related taxes, and other costs which are classified as fixed costs and assigned to firm rate schedules (currently PG&E's Rate Schedule XT-1). In consideration of Shipper's commitment under Paragraph 6.4(a), during the Initial Period Shipper's Firm Fixed Annual Revenue Requirement under this provision shall not include any capital related and operating costs which are unrecovered

in an earlier period except where such underrecovery is due to natural disaster or other unavoidable circumstances and where the CPUC authorizes PG&E to collect such unrecovered costs from PG&E Expansion shippers. For the purposes of this Agreement, the term "Adjusted Total Quantity" shall be 765,529 MMBtu/d in the first general gate case in which rates for Expansion shippers are set. In later general rate cases during the Initial Period in which rates for Expansion shippers are set, the Adjusted Total Quantity shall be increased by the sum of the Maximum Daily Quantities of any new PG&E Expansion Project shippers and shall be reduced by the sum of the Maximum Daily Quantities of any PG&E Expansion Project shipper who is a shipper as of the Commercial Operation Date but is no longer a shipper as of the date of allocation, but at no time shall the Adjusted Total Quantity exceed the greater of 765,529 MMBtu/d or the sum of the Maximum Daily Quantities of all firm Expansion shippers. However, the Adjusted Total Quantity shall be reduced to account for defaulting shippers only to the extent that the CPUC approves the allocation of such costs to remaining shippers.

(c) In the event that the CPUC approves a cost allocation methodology for any Expansion shipper(s) wherein any portion of such shippers' allocation of the Firm Fixed Annual Revenue Requirement is based on the shippers' Maximum Daily Quantity, then Shipper shall have the option to pay rates and charges under such CPUC adopted methodology provided that all costs not paid by Shipper under these rates and charges are fully allocated to other customers and provided that Shipper notifies PG&E in writing within 30 days of such CPUC approval. If the CPUC does not approve such a methodology, or if Shipper does not elect to pay under such a methodology, then Shipper shall pay rates and charges as specified in Paragraph 6.1.

6.5 Exhibit B is attached hereto and incorporated herein to illustrate how Shipper's rates will be calculated under Paragraph 6.4(a) of this Agreement.

6.6 Shipper may terminate the provisions of Paragraphs 6.3, 6.4, and 6.5 of this Agreement at any time by giving PG&E sixty days written notice, provided that all provisions of these Paragraphs are terminated simultaneously.

## VII MISCELLANEOUS

7.1 This Agreement shall be interpreted according to the laws of the state of California.

7.2 Unless otherwise provided, all substances, whether or not of commercial value, including all liquid hydrocarbons of whatever nature that PG&E recovers in the normal course of transporting the volume of natural gas tendered to Shipper, shall be PG&E's sole property, and PG&E shall have no obligation to account to Shipper for any value that may attach or be said to attach to such substances.

7.3 Unless herein provided to the contrary, any notice called for in this Agreement and/or the General Terms and Conditions shall be in writing and shall be considered as having been given if delivered by facsimile or registered mail, with all postage or charges prepaid, to either PG&E or Shipper at the place designated below. Routine communications, including monthly statements and payment, shall be considered as duly delivered when received by ordinary mail or facsimile. Shipper's daily nominations shall be considered as duly delivered when received by ordinary mail or facsimile or electronic data interchange. Unless changed, the addresses of the parties are as follows:

"PG&E"                    PACIFIC GAS AND ELECTRIC COMPANY  
Marketing Tariffs  
123 Mission Street, Room H2645  
San Francisco, California 94106  
Attention:     Director

"Shipper"

For Billing Matters:

SAN DIEGO GAS & ELECTRIC COMPANY  
P.O. Box 1803  
San Diego, CA 92112  
Attention:     Supervisor, Corporate Accounting  
Phone:         (619) 696-2243  
Fax:            (619) 696-4182

For Operational Matters:

SAN DIEGO GAS & ELECTRIC COMPANY  
P.O. Box 1831  
San Diego, CA 92112  
Attention:     Manager, Gas Operations  
Phone:         (619) 696-4950  
Fax:            (619) 239-0014

For Contractual Matters:

SAN DIEGO GAS & ELECTRIC COMPANY  
P.O. Box 1831  
San Diego, CA 92112  
Attention:     Manager, Fuels Department  
Phone:         (619) 696-1876  
Fax:            (619) 696-1838

7.4 Shipper shall provide PG&E with any information required by the CPUC pertinent to service under this Agreement, as well as all information identified in the General Terms and Conditions. Because Shipper is also a CPUC regulated utility, PG&E shall provide Shipper with information related to the operation of the Expansion Project as required by the CPUC, which is pertinent under this Agreement. At the providing party's request, the receiving party shall request that the CPUC treat such information as confidential under its rules.

7.5 A waiver by either party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

7.6 Nothing in this Agreement shall be deemed to create any rights or obligations between the parties hereto after the expiration of the Initial or Subsequent Term(s) set forth herein, except that expiration of this Agreement shall not relieve either party of the obligation to correct any volume imbalances or Shipper of the obligation to pay any amounts due to PG&E to the date of expiration.

7.7 Shipper warrants for itself, its successors and assigns, that it will have at the time of delivery of the gas to PG&E hereunder good title to such gas and that all gas delivered to PG&E for transportation hereunder is eligible for all requested transportation in intrastate commerce under applicable rules, regulations or orders of the CPUC, or other agency having jurisdiction. Shipper will indemnify PG&E and save and hold it harmless from all suits, actions, damages, costs, losses, expenses (including reasonable attorneys' fees) and costs connected with regulatory or legal proceedings, arising from the breach of this warranty.

7.8 In consideration for Shipper's commitment under Paragraph 6.4(a), during the period consisting of the Initial Period plus two additional years, Shipper may, at its sole expense, with forty-five (45) days written notice given in advance to PG&E, (1) audit the PG&E financial and accounting books and records including workpapers directly supporting calculation of the rate or charges paid by Shipper pursuant to Paragraphs 6.3 and 6.4 of this Agreement ("Rates"), and/or (2) inspect the results of the annual independent audits including workpapers directly supporting calculation of Rates. Such audit and/or inspection may be performed only once in any calendar year and shall not exceed the prior two year period. Such an audit and/or inspection shall be performed by Shipper's own employee representative ("Representative") and shall be at the mutual convenience of the Representative and PG&E but not later than ninety (90) days from the date of Shipper's written request. Nothing herein shall be deemed to allow Shipper to have an audit and/or inspection performed of any books or records of PG&E which are not directly related to the calculation of the Rates.

(a) In the event Shipper wishes to audit or review records or information considered to be of a confidential or proprietary nature by PG&E, the audit or review of such records or information, to the extent permitted hereunder, shall be

performed by an independent certified public accounting firm ("Auditor") mutually agreed to by Shipper and PG&E; and except for books and records not directly related to the calculation of the Rates, PG&E shall fully disclose all information requested by the Auditor under this provision unless expressly restricted from doing so by a contract with a third party or where PG&E establishes that a disclosure would directly harm PG&E. The Auditor may not disclose/ to Shipper and Shipper may not disclose to other parties any information that is designated confidential by PG&E; and

(b) PG&E shall be provided a copy of the final audit or inspection report and shall be notified in writing of any exception(s) taken as a result of an audit or inspection. If PG&E and Shipper do not reach an agreement on any such exception(s), such exception(s) shall be resolved through arbitration provided by Paragraph 7.9 of this Agreement.

7.9 Any dispute, claim, or need for interpretation arising out of or relating to Paragraphs 6.3, 6.4, and 7.8 of this Agreement shall be resolved in the following manner, which shall be in lieu of litigation in any state or federal court, except to the extent that such matters are within the jurisdiction of the CPUC and the CPUC is willing to accept such matters for resolution.

(a) Within 60 days of written notice from one party that there is such a dispute, controversy or claim, the parties shall meet and, with the assistance of counsel, experts and such other assistance as may be appropriate, attempt to reach an amicable settlement; the parties shall be guided by the Model ADR Procedures for Mediation of Business Disputes published by the Center for Public Resources (or such other procedures as to which the parties may agree) and shall establish specific ground rules for such meeting at least 30 days in advance of the meeting.

(b) If no amicable settlement is reached as a result of the procedure in subparagraph (a) hereof, the dispute, controversy or claim shall be resolved through binding arbitration as follows:

(i) Unless the parties otherwise agree, the arbitral tribunal shall be composed of three persons. Each party shall nominate an arbitrator, and the two arbitrators so appointed shall appoint a third, who shall act as the presiding arbitrator or chair of the arbitral tribunal. If either party fails to nominate an arbitrator within 30 days of receiving notice of the nomination of an arbitrator by the other party, such (second) arbitrator shall be appointed at the request of the first party by the American Arbitration Association ("AAA"). If the two arbitrators selected by the parties fail to select a third presiding arbitrator within 20 days of the appointment of the second arbitrator, the party who initiated the dispute resolution through written notice shall provide the other party with a list of four candidates acceptable to it, from which the other party shall select one who shall serve as the third, presiding arbitrator; if the other party fails to make such selection within five (5) days of receiving said list, the AAA shall choose one of the four

candidates to serve as the third, presiding arbitrator. Should a vacancy occur on the panel, it shall be filled by the method by which that arbitrator was originally appointed.

(ii) Each arbitrator shall be neutral, independent and impartial; disclose in writing prior contacts or associations with the parties or their counsel which might give rise to justifiable doubts about the arbitrator's impartiality; and agree to abide by the AAA's Code of Ethics for Arbitrators in Commercial Disputes (other than Canon VII).

(iii) Except as may be specified herein or as the parties may otherwise agree, the arbitration shall be conducted in accordance with the American Arbitration Association Commercial Arbitration Rules.

(iv) The arbitrators shall hold a preliminary meeting with the parties within 30 days of the appointment of the third or presiding arbitrator for the purpose of determining or clarifying the issues to be decided in the arbitration, the specific procedures to be followed and the schedule for briefing and/or hearings. The arbitrators shall hold a hearing and, within 120 days of the preliminary meeting (except in extraordinary cases), shall issue an award and include findings of fact and conclusions of law. The United States District Court for the Northern District of California or a Superior Court of the state of California may enter judgement upon any such award, either by confirming the award or by vacating, modifying or correcting the award. The Court may vacate, modify or correct any such award only if : (1) there exist any of the grounds referred to in the United States Arbitration Act, or (2) where the arbitral tribunal's conclusions of law are erroneous.

(v) If one or more of the parties have a substantial need for discovery in order to prepare for the arbitration hearing, the parties shall attempt in good faith to agree on a minimum plan for strictly necessary, expeditious discovery (obtaining documents, taking depositions, and the like). Should they fail to reach agreement, any party may request a joint meeting with the presiding arbitrator to explain points of agreement and disagreement. The presiding arbitrator shall thereafter promptly determine the scope of discovery and time allowed therefor.

(vi) Notwithstanding any other provision hereof, neither party shall be assessed in arbitration or otherwise any punitive damages.

(vii) As part of the arbitration award, the arbitrators shall allocate costs and expenses of the arbitration and determine the extent to which the expenses (including reasonable fees for in-house and outside counsel) incurred by the prevailing party shall be borne by the other party. In the event of an action or proceeding to enforce an arbitral award, the prevailing party in such action or proceeding shall recover its costs and expenses (including the reasonable fees of in-house and outside counsel).

(c) Pending the resolution of disputes as provided in this Paragraph 7.9, the parties shall continue to bill and make payments under this Agreement as on the date the dispute resolution process is initiated in writing. If a dispute, controversy or claim is resolved under subparagraph (b) hereof, the arbitral tribunal should consider and specifically decide the appropriateness of retroactive adjustments.

(d) The resolution of disputes subject to this paragraph shall be governed, and the arbitrators shall render their decision in accordance with the substantive laws of the State of California, without regard to its choice of law rules. Notwithstanding the foregoing sentence, questions concerning arbitrability under this dispute resolution clause shall be governed exclusively by the United States Arbitration Act.

7.10 This Agreement in all respects shall be and will remain subject to the applicable provisions of PG&E's Rate Schedule XT-1, or superseding rate schedule(s) and the General Terms and Conditions, all of which are by this reference made a part hereof. In the event of a conflict or ambiguity between this Agreement and PG&E's Rate Schedule XT-1 or PG&E's General Terms and Conditions applicable for service provided Shippers, the terms of this Agreement shall govern.

7.11 This Agreement constitutes the full agreement between Shipper and PG&E and any subsequent changes to this Agreement must be made in writing by an amendment to this Agreement. This Agreement may only be amended by an instrument in writing executed by both parties hereto.

7.12 The rights and liabilities of Shipper and PG&E set forth in Paragraph 3.6 of this Agreement shall survive termination of this Agreement for the corresponding terms and corresponding capacity of Shipper's firm transportation agreements on the PGT and ANG pipeline expansions.

7.13 PG&E agrees that if it sells its interest in PGT it will exercise reasonable efforts to sell to an entity that is financially and technically capable of fulfilling PGT's firm transportation obligations to Shipper. Shipper acknowledges the proposed sale of PGT to TransCanada PipeLines Ltd. Shipper and PG&E agree that in regard to such sale TransCanada PipeLines Ltd. qualifies as financially and technically capable of fulfilling PGT's firm transportation obligations to Shipper.



IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

PACIFIC GAS AND ELECTRIC COMPANY

By: 

Name: Jerry R. McLeod

Title: Executive Vice President

SAN DIEGO GAS & ELECTRIC COMPANY

By: 

Name: Donald E. Felsing

Title: Senior Vice President  
Marketing & Resource Development

EXHIBIT A  
TO THE FIRM TRANSPORTATION SERVICE AGREEMENT

Dated December 31, 1991 Between

PACIFIC GAS AND ELECTRIC COMPANY  
and SAN DIEGO GAS & ELECTRIC COMPANY

**RECEIPT  
POINT**

PGT in the vicinity of Malin, Oregon

**DELIVERY  
POINT(S)**

Maximum Daily  
Quantity at Delivery Point  
(MMBtu/d)

1. The southern terminus(i)  
of the PG&E Expansion  
Project (currently  
located at Kern River  
Station, California)

51,773

EXHIBIT B  
TO THE FIRM TRANSPORTATION SERVICE AGREEMENT  
Dated December 31, 1991 Between

PACIFIC GAS AND ELECTRIC COMPANY  
and SAN DIEGO GAS & ELECTRIC COMPANY

Rate Calculation Under Paragraph 6.4(a)

Note: This is an illustrative example to demonstrate methodology. The revenue, charges and quantity numbers do not reflect what actual revenues, charges and quantities will be under this Agreement.

To illustrate, assume these Shipper quantities on the Project:

SDG&E Maximum Daily Quantity	51,773 MMbtud/d
Firm Shipper A MDQ	200,000
Firm Shipper B MDQ	300,000
Firm Shipper C MDQ	<u>213,756</u>

Adjusted Total Quantity    765,529 MMbtu/d

**INITIAL GENERAL RATE CASE SAMPLE CALCULATION:**

1st year Total Fixed Annual Revenue Requirement = \$110,133M  
(as authorized by CPUC decisions)

1st year Firm Fixed Annual Revenue Requirement = 1st Year Total Fixed  
Annual Revenue Requirement  
- Fixed Revenue Assigned to  
interruptible

= \$110,133M - \$7,709 = \$102,424

1st year Firm Fixed Annual Revenue Requirement = \$102,424

SDG&E Annual Allocation =  $\frac{\text{SDG\&E MDQ}}{\text{Adj Tot Qty}} \times \text{1st yr. Firm Fixed Annual Revenue Requirement}$

SDG&E Annual Allocation =  $\frac{51,773}{765,529} \times 102,424 = \$6927M$

SDG&E Monthly Demand Charge =  $\$6,927 / 12 = \$577M$

SDG&E pays a delivery rate based on the allocation of revenue classified as variable costs.

**SUBSEQUENT GENERAL RATE CASE SAMPLE CALCULATION DURING INITIAL PERIOD:**

Assume Shipper quantities stay the same as in initial rate case

Assume Firm Fixed Annual Revenue Requirement Changes to: \$95,300M

$$\text{SDG\&E Annual Allocation} = \frac{51,773}{765,529} \times 95,300 = \$6,445\text{M}$$

$$\text{SDG\&E Monthly Demand Charge} = \$6,445 / 12 = \$537\text{M}$$

SDG&E pays a delivery rate based on the allocation of revenue classified as variable costs.

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1B**

Distribution:  
Shipper (Original)  
Gas Services (Original)  
Customer Billing (Copy)  
Rates Dept./CPUC (Copy)

Transp. ID No.: 10007  
Marketer ID No.: \_\_\_\_\_  
Contract No.: \_\_\_\_\_  
Acct. Rep. Name: \_\_\_\_\_  
Rep. Telephone: \_\_\_\_\_

PIPELINE EXPANSION TRANSPORTATION SERVICE AGREEMENT  
(Applicable To Service Under PG&E Rate Schedule G-XF)

This Agreement ("Agreement") is made by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and SAN DIEGO GAS & ELECTRIC COMPANY ("Shipper"), a California corporation, each of which is referred to herein as a Party and together as Parties. This Agreement is for firm intrastate natural gas transportation service on PG&E's Pipeline Expansion. This Agreement provides no service other than intrastate natural gas transportation service on the Pipeline Expansion, and does not include service on any other PG&E facilities.

1. DEFINITIONS

When capitalized herein, the following terms shall have the meanings indicated below, whether used in the singular or the plural form.

1.1 Maximum Daily Quantity: The maximum quantity of gas, after adjustments for compressor station fuel and line losses and other unaccounted-for gas, which PG&E shall receive from an interstate pipeline for Shipper's account at Shipper's point of receipt on the PG&E system (see, Exhibit A) and deliver for Shipper's account to Shipper's point of delivery on the Pipeline Expansion on any day.

1.2 Pipeline Expansion: The pipeline and associated facilities, which are in addition to PG&E's existing natural gas transmission facilities and which have received certification from the CPUC, installed by PG&E to provide firm and interruptible natural gas transportation service for customer-owned gas between the California-Oregon border, near Malin, Oregon, and the Southern Terminus.

1.3 Reservation Charge: The currently effective Reservation Rate for service times Shipper's delivered Maximum Daily Quantity (see, Section 7.3). This charge applies only to firm service on the Pipeline Expansion.

1.4 Southern Terminus: The southernmost Point of the Pipeline Expansion.

1.5 Valid Nomination: For any day, the lesser of (1) Shipper's Maximum Daily Quantity, plus Shipper's requirement to provide fuel and line losses as set forth in Section 6.1, (2) the quantity of gas that the connecting upstream pipeline is

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capable of delivering to PG&E for Shipper's account at Shipper's point of receipt on the PG&E system, reduced in accordance with Section 6.1, (3) the quantity of gas that the connecting downstream pipeline is capable of receiving from PG&E for Shipper's account at Shipper's point of delivery, plus Shipper's requirement to provide fuel and line losses as set forth in Section 6.1, or (4) Shipper's nomination to PG&E.

## 2. GOVERNMENTAL AUTHORITY

2.1 This Agreement is made pursuant to the regulations of the California Public Utilities Commission ("CPUC"). Shipper agrees not to take or to support any action which is intended to or is reasonably likely to subject PG&E's operation of the Pipeline Expansion to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") or its regulatory successor. Any such action by Shipper may, at PG&E's option, be cause for immediate termination of this Agreement by PG&E.

2.2 This Agreement is subject to all valid legislation, either state or federal, with respect to the subject matters hereof and to all valid present and future decisions, orders, rules, regulations and ordinances of all duly constituted governmental authorities having jurisdiction.

2.3 If Shipper elects not to waive Sections IX and X of CPUC General Order 96-A pursuant to Section 2.4, this Agreement shall at all times be subject to such changes or modifications by the CPUC as it may, from time to time, direct in the exercise of its jurisdiction. In that case, should the CPUC modify or change the terms or conditions of this Agreement in the exercise of its jurisdiction, PG&E and Shipper shall, at either Party's request, negotiate in good faith to accommodate those changes or modifications. Such negotiated terms shall be subject to approval by the CPUC. Except as may be expressly provided otherwise in this Agreement, if PG&E and Shipper do not reach agreement on accommodation of any such decision by the CPUC, the changes or modifications shall be made as ultimately directed by the CPUC.

### 2.4 Shipper

         elects to waive CPUC General Order 96-A; or  
  X   does not elect to waive CPUC General Order 96-A.

## 3. QUANTITY OF GAS

3.1 The Maximum Daily Quantity of gas PG&E is required to deliver for Shipper's account to Shipper's point of delivery as set forth in Exhibit A ("Quantities") of this Agreement.

3.2 The maximum quantity of gas which Shipper has a right to deliver to PG&E at the point of receipt, as identified in Exhibit A, equals the Maximum Daily Quantity plus an amount for fuel and line losses (shrinkage) as set forth in PG&E's Gas Rule 21.

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3.3 PG&E's obligation to receive gas for Shipper's account at any time is limited to the quantity of gas specified in Shipper's Valid Nomination.

3.4 PG&E's obligation to deliver Shipper's gas from Shipper's point of receipt to Shipper's point of delivery is limited to the actual quantity of gas, measured in MMBtu's, up to Shipper's Valid Nomination, received by PG&E for Shipper's account at Shipper's point of receipt less Shipper's requirement to provide fuel and line losses, as set forth in Section 6.1, up to Shipper's Maximum Daily Quantity.

#### 4. TERM OF AGREEMENT

4.1 Upon execution by both Parties, this Agreement shall become effective, but the mutual obligations under this Agreement shall not commence unless and until the date when PG&E's interim authority, originally granted in Decision No. 93-10-069, to provide service to Shipper under Shipper's existing Firm Transportation Service Agreement ("FTSA") terminates prior to when the CPUC approves, or rejects, or otherwise acts on the FTSA and related Amendments. If the mutual obligations under this Agreement commence as described in the preceding sentence, such mutual obligations shall continue until and terminate upon the earlier of (a) midnight, February 15, 1996, or (b) the date when the CPUC approves, or rejects, or otherwise acts on the FTSA and the related Amendment.

4.2 Neither Party may terminate this Agreement except as provided in Section 2.1 of this Agreement. If this Agreement is terminated in accordance with Section 2.1, neither Party shall be liable to the other for any costs or injury related to this Agreement.

#### 5. POINTS OF RECEIPT AND DELIVERY

5.1 This Agreement covers only intrastate transportation of natural gas for Shipper's account between the point(s) of receipt on the Pipeline Expansion and the point(s) of delivery. It is the responsibility of Shipper or its customer to make all arrangements necessary to transport such gas from Shipper's point(s) of delivery to the ultimate end-use destination(s).

5.2 The points of receipt and delivery under this Agreement are set forth in Exhibit A. These points may be changed or added to only by a separate written agreement executed by both Parties.

#### 6. OPERATING PROCEDURES

6.1 Gas used for compressor station fuel, line losses, and other utility purposes, plus other unaccounted-for gas used in the operation of the Pipeline Expansion and certain other facilities between the Oregon-California border near Malin, Oregon and the Southern Terminus shall be furnished by Shipper to

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PG&E at Shipper's point of receipt in an amount equal to a percentage of the quantity of gas to be received by PG&E for Shipper's account. The percentages applicable to service provided hereunder are set forth in PG&E's Gas Rule 21.

6.2 Shipper shall conform to the operating procedures set forth in all applicable PG&E gas rules in effect during the term of this Agreement.

## 7. RATES

7.1 Shipper shall pay PG&E each month all rates and charges applicable to services rendered pursuant to this Agreement in accordance with Gas Rate Schedule G-XF -- Pipeline Expansion Firm Intrastate Transportation Service, or superseding rate schedule(s), and all applicable PG&E gas rules in effect during the term of this Agreement.

7.2 PG&E shall have the unilateral right from time to time to propose and file with the CPUC changes in the rates and charges applicable to transportation service pursuant to this Agreement, the rate schedule under which such service is provided, or any provisions of the applicable PG&E gas rules.

7.3 Shipper's obligation to pay any applicable Reservation Charges is absolute and unconditional and is independent of Shipper's ability to obtain export authorization from the National Energy Board of Canada, Canadian provincial removal authority, and/or import authorization from the United States Department of Energy, and shall begin in the month in which service is first available hereunder (prorated if service is available on a date other than the first day of the month). Thereafter, Shipper's obligation to pay the monthly Reservation Charge shall continue for each month during the entire term of this Agreement and shall be unaffected by the quantity of gas transported on the Pipeline Expansion for Shipper's account.

7.4 If Shipper's service hereunder utilizes more than one point of receipt, Shipper shall pay the charge identified in Exhibit B.

7.5 Shipper y does ~~does not~~ elect the Straight Fixed Variable (SFV) rate design. If Shipper elects the SFV rate option, the applicable SFV rates are shown in Exhibit B.

## 8. BILLING AND PAYMENT

8.1 Bills rendered by PG&E hereunder shall be due and payable upon delivery to Shipper, and shall become delinquent fifteen (15) days thereafter. Amounts not paid on or before the delinquent date shall be payable with accrued interest calculated in accordance with Section 8.2. PG&E may, at its discretion, designate another entity as its agent for rendering bills and receiving payment.

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8.2 Interest on all delinquent amounts shall accrue on a daily basis, beginning the day after such payment was due and continuing until the day full payment of the delinquent amount and all accrued interest thereon is received by PG&E. The applicable interest rate shall be equal to the interest rate on commercial paper (prime, three-month) for the previous month as reported in the Federal Reserve Statistical Release, G.13, or its successor publication.

8.3 If Shipper has not paid the full amount of a bill on or before sixty (60) days after the due date, as set forth in Sections 8.1 and 8.2, PG&E may, in addition to any other remedy it may have, suspend transportation of gas hereunder until the unpaid amount is paid.

8.4 If an error is discovered in any bill rendered by PG&E, the amount of such error shall be adjusted; provided that, a valid claim therefor is made within twelve (12) months from the date of the bill.

## 9. ADDITIONAL PROVISIONS

9.1 This Agreement shall be interpreted according to the laws of the State of California.

9.2 Unless otherwise provided, all substances, whether or not of commercial value, including all liquid hydrocarbons of whatever nature that PG&E recovers in the normal course of transporting the volume of natural gas tendered to Shipper, shall be PG&E's sole property, and PG&E shall have no obligation to account to Shipper for any value that may attach or be said to attach to such substances.

9.3 Unless expressly provided herein to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered by facsimile (if confirmed by telephone communication and followed by original documents), courier, or registered mail, with all postage or charges prepaid, to either PG&E or Shipper at the place designated below. Routine communications, including monthly statements and payment, shall be considered as duly delivered when received by ordinary mail or facsimile (if confirmed by telephone communication and followed by original documents). Shipper's daily nominations shall be considered as duly delivered when received by ordinary mail, facsimile (if confirmed by telephone communication and followed by original documents), or electronic data interchange. Unless changed, the addresses of the Parties to be used for notices are as follows:

	To Shipper	To PG&E
Formal	<u>SAN DIEGO GAS &amp; ELECTRIC</u>	Pacific Gas and Electric Company
Communications,	<u>P. O. Box 1831</u>	Manager Gas Services
	San Diego, CA 92112	

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Offers and Attn. Supv./Fuel Transp.

Acceptances \_\_\_\_\_

\_\_\_\_\_

Telephones (619) 696-1870

Telecopy (619) 696-1815

Billing, San Diego Gas & Electric

Statements P. O. Box 1803

and Invoices San Diego, CA 92112

Attn: Supv., Corp. Accounting

(619) 696-2243

Fax: (619) 696-4182

Payments

Pacific Gas and Electric Company

Attn.: Accounts Receivable

P.O. Box 52001

San Francisco, CA 94152

Operating San Diego Gas & Electric

Communication P. O. Box 1831

Offers and San Diego, CA 92112

Acceptances Attn: Supv./Fuel Supply

\_\_\_\_\_

Telephones (619) 696-1842

Telecopy (619) 696-1838

Pacific Gas and Electric Company

Gas Transportation Supervisor

77 Beale Street, Room 1639 - B16A

San Francisco, CA 94177

Telephone (415) 973-3220

Telecopy (415) 973-0649

9.4 Prior to initiation of service, Shipper shall provide PG&E with any information required by the CPUC pertinent to service under this Agreement, as well as all information identified in applicable PG&E gas rules.

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9.5 PG&E shall not be required to perform or to continue transportation service under this Agreement if Shipper becomes insolvent or, at PG&E's request, fails within a reasonable period to establish or confirm its credit-worthiness. Shipper agrees to provide to PG&E, initially and on a continuing basis, evidence of its credit-worthiness as a condition of its eligibility to receive service.

9.6 A waiver by either Party of any one or more defaults by the other hereunder shall not operate as a waiver of any future default or defaults, whether of a like or of a different character.

9.7 Nothing in this Agreement shall be deemed to create any rights or obligations between the Parties hereto after the termination or expiration of this Agreement; however, termination or expiration of this Agreement shall not relieve either Party of the obligation to correct any volume imbalances, or relieve Shipper of the obligation to pay any amounts due to PG&E for service provided prior to the date of termination or expiration.

9.8 Shipper warrants for itself, its successors and assignees, that it will have at the time of delivery of the gas to PG&E hereunder good title to such gas and that all gas delivered to PG&E for transportation hereunder is eligible for all requested transportation in intrastate commerce under applicable rules, regulations, or orders of the CPUC, or other agency having jurisdiction. Shipper shall indemnify PG&E and save and hold it harmless from all suits, actions, damages, costs, losses, expenses (including attorney's fees) and costs connected with regulatory or legal proceedings, arising from the breach of this warranty, including any breach of this indemnification of PG&E.

9.9 This Agreement in all respects shall be and remains subject to the applicable provisions of PG&E's Rate Schedule G-XF, or superseding rate schedule(s), and all applicable PG&E gas rules in effect during the term of this Agreement.

9.10 Shipper may assign its service provided under this Agreement, but only subject to the following conditions: (a) using Form 79-790, Shipper and its assignee must notify PG&E of the assignment, including the amount of capacity assigned and the term of assignment; (b) the assignee shall assume all rights and obligations of Shipper hereunder; and (c) Shipper shall remain fully responsible to PG&E for payment of any amount not paid by the assignee and for all other terms and conditions prescribed in this Agreement and applicable PG&E gas rules, and Shipper shall make such payment on demand by PG&E.

9.11 Neither Party shall be liable for any failure of performance, other than the continuing obligation to make payments due hereunder, owing to causes beyond its reasonable control. If either Party is unable because of such a force majeure event to deliver or receive full or partial quantities of gas contemplated by this Agreement, that Party shall notify the other as soon as practicable. Any force majeure event shall be

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remedied as soon as is reasonably practicable. The term "force majeure" as used herein shall include, but not be limited to, acts of God, labor strikes or other industrial disturbances, acts of a public enemy or terrorist, the direct or indirect effect of governmental orders and regulation, civil disturbances, explosions, breakage of or accidents to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery or lines of pipe, power outages, landslides, lightning, fire, earthquake, storms, flood, and washouts. Refusal by either Party to accede to demands of laborers or labor unions, which it considers unreasonable in its sole discretion, shall not deny that Party the benefits of this provision. The term "force majeure" as used herein shall not include financial considerations, the unavailability of upstream transportation or supply, or the unavailability of downstream transportation.

9.12 This Agreement constitutes the full agreement between Shipper and PG&E, and any subsequent changes to this Agreement must be made in writing, executed by both Parties, as an amendment to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as follows:

SHIPPER SDG&E

PACIFIC GAS AND ELECTRIC COMPANY

By: *Edwin A. Guiles*

By: *Jack F. Jenkins-Stark*

Name: Edwin A. Guiles

Name: Jack F. Jenkins-Stark

Title: Sr. V.P., Energy Supply

Title: Sr. V.P. & General Manager  
Gas Supply

Date: March 14, 1994

Date: March 18, 1994

Incorporated Attachments:

Exhibit A (QUANTITIES)  
Exhibit B (NEGOTIATED RATES/TERMS)

Illustrative Attachments

Rate Schedule(s) G-XF  
Gas Rules 1,2,9,10,11,12,14,17,21

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PACIFIC GAS AND ELECTRIC COMPANY  
 PIPELINE EXPANSION TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric Co. TRANSP. ID NO.: 10007

EFFECTIVE DATE: From See Section 4.1 To See Section 4.1

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts (MMBtu/d)	Deliveries (MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	_____	_____
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station)	_____	<u>51,932</u>
3. Into the PG&E Intrastate Distribution System in Northern California	_____	_____
4. Alternate Receipt Points		
Location _____		
Location _____		
<b>TOTAL</b>	_____	<u>51,932</u>

(1) If more than one (1) Receipt Point is designated and utilized Shipper will be subject to an additional charge (See Exhibit B).

PACIFIC GAS AND ELECTRIC COMPANY  
PIPELINE EXPANSION TRANSPORTATION SERVICE AGREEMENT

EXHIBIT B (NEGOTIATED RATES/TERMS)

SHIPPER NAME: San Diego Gas & Electric Co. TRANSP. ID NO.: 10007

EFFECTIVE DATE: From See Section 4.1 To See Section 4.1

Exhibit B must be completed to indicate any non-standard rates and/or terms. All Agreements with an Exhibit B specifying negotiated rates and/or nonstandard terms will be submitted by PG&E to the CPUC.

NEGOTIATED RATES:

Usage Charge:

Not Applicable

Flexible Receipt Point Charge: Not Applicable \$ per MMBtu)

This charge will apply if Shipper has designated and utilizes multiple Receipt Points as specified on Exhibit A and Shipper is taking service under rate Schedules G-XF1 and /or G-XF2.

OTHER SPECIAL INSTRUCTIONS OR PROVISIONS:

Not Applicable

[proform.sdg]

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**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1C**



Pacific Gas and Electric Company

245 Market Street  
San Francisco, CA 94105

*Mailing Address*

Mail Code N15A  
P.O. Box 770000  
San Francisco, CA 94177  
415/973-7000

January 18, 1996



Layne Brown  
Associate Fuels Administrator  
San Diego Gas & Electric  
101 Ash Street, P.O. Box 1831  
San Diego, CA 92112-4150  
via fax (414) 696-1815

Dear Layne:

Craig Louttit and I appreciated the opportunity to visit with you last December.

Layne, I'd like to take this opportunity to clarify one item that we were talking about last week when we were talking generally about Expansion deliveries on to PG&E's system. You had inquired as to whether there was anything in SDG&E's Firm Transportation Service Agreement that would prevent deliveries to PG&E's system in northern California.

SDG&E's Agreement with PG&E designates a delivery point in Exhibit A. Exhibit A of SDG&E's Firm Transportation Service Agreement states that the only delivery point is, "the southern terminus(i) of the PG&E Expansion Project (currently located at Kern River Station, California)". However, PG&E's G-XF tariff, until further or future revision, allows a shipper to nominate any delivery point on the Pipeline Expansion between Malin, OR and Kern River Station. A copy of SDG&E's Exhibit A is attached for your reference.

Please call me at (415) 973-2379 or Craig Louttit at (415) 973-2369 with any further questions you may have. Craig and I look forward to visiting you again in the near future. We will give you a call soon to set something up.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Karen Shea'.

Karen Shea  
Product Manager

Attachment

bcc, w/attachment:

F Wan

C Louttit

J Castillo

A. Mountford

B. Alcantara-Lee (Pls put in SDG&E Contract file)

J. Hara

PACIFIC GAS AND ELECTRIC COMPANY  
PIPELINE EXPANSION TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric Co. TRANSP. ID NO.: \_\_\_\_\_

EFFECTIVE DATE: From See Section 4.1 To See Section 4.1

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts (MMBtu/d)	Deliveries (MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	_____	_____
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station)	_____	<u>51,932</u>
3. Into the PG&E Intrastate Distribution System in Northern California	_____	_____
4. Alternate Receipt Points		
Location _____	_____	_____
Location _____	_____	_____
<b>TOTAL</b>	_____	<u>51,932</u>

(1) If more than one (1) Receipt Point is designated and utilized Shipper will be subject to an additional charge (See Exhibit B).

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1D**



Pacific Gas and Electric Company  
San Francisco, California

Revised Cal. P.U.C. Sheet No. 17675-G  
Cancelling Revised Cal. P.U.C. Sheet No. 17269-G

SCHEDULE G-XF-- PIPELINE EXPANSION FIRM INTRASTATE TRANSPORTATION SERVICE

(Continued)

**NOMINATIONS:** Specific daily nominations are required for gas supplies delivered via this schedule. See Rule 21\*\* for details.

**CURTAILMENT OF SERVICE:** Service under this schedule may be curtailed. See Rule 14 for details.

**TEMPORARY ASSIGNMENT OF CAPACITY RIGHTS:** Shipper may assign all or a portion of its long-term firm capacity on the Pipeline Expansion to another party. In order to assign capacity, Shipper must provide PG&E written notice, using the Notice of Assignment & Agreement to Assignment of Pipeline Expansion Capacity (Form No. 79-790).

**RECEIPT POINTS:** Shipper may specify more than one Receipt Point in its Agreement. Shippers specifying more than one Receipt Point must pay the Flexible Receipt Point Charge specified in the Service Agreement. PG&E will accept gas on Shipper's behalf only at the Receipt Point(s) specified in the Service Agreement. On any given day, the total amount of gas nominated for firm transportation service at all Receipt Points may not exceed Shipper's MDQ, as specified in the Service Agreement.

**DELIVERY POINTS:** Shipper may nominate any Delivery Point on the Pipeline Expansion between Malin, Oregon and Kern River Station, California. Shipper is responsible for arranging for transportation of its gas between the Delivery Point and the ultimate end-use destination(s).

**SHRINKAGE:** All gas accepted by PG&E on the Shipper's behalf will be subject to a shrinkage allowance in accordance with Rule 21.

**BACKHAUL SERVICE:** Natural gas deliveries from any southern Receipt Point, specified in the Shipper's Service Agreement, north to end-users in PG&E's service territory will occur via displacement, on an as-available basis. PG&E will, in its sole judgment, determine, on a daily basis, if natural gas system operating conditions allow acceptance of gas for northward deliveries on Shipper's behalf at the Shipper's Receipt Point(s).

PG&E shall limit the total MDQ of gas available under this rate schedule at the Kern River Receipt Station Point to 152,250 MMBtu/d.

(D)

Advice Letter No. 1989-G  
Decision No.

21370

Issued by  
Steven L. Kline  
Vice President  
Regulation

Date Filed November 21, 1996  
Effective JAN 27 1997  
Resolution No. \_\_\_\_\_

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1E**



**SCHEDULE G-XF—PIPELINE EXPANSION FIRM INTRASTATE TRANSPORTATION SERVICE**  
(Continued)

RATES:  
(Cont'd.)

2. Usage Charge:

In addition to the Reservation Charge described above, Customer shall pay a usage charge for each decatherm equal to the applicable usage rate times the quantity of gas received on the Customer's behalf, less the applicable shrinkage allowance in the current month.

<u>Usage Rates:</u>	<u>Per Dth</u>
MFV Rates:	\$0.2055
SFV Rates:	\$0.0038

(N)

CREDIT-WORTHINESS:

The Customer must meet the creditworthiness requirements set forth in Rule 25.\*

SERVICE AGREEMENT:

Customer must have executed a Pipeline Expansion Firm Transportation Service Agreement (Form No. 79-791) prior to the implementation date of the Gas Accord Settlement on March 1, 1998, in order to qualify for service under this schedule.

(T)  
(T)

NOMINATIONS:

Nominations are required for gas supplies delivered under this rate schedule. See Rule 21 for details.

CURTAILMENT OF SERVICE:

Service under this schedule may be curtailed. See Rule 14 for details.

TEMPORARY ASSIGNMENT OF CAPACITY RIGHTS:

Customer may assign all or a portion of its long-term firm capacity on the Pipeline Expansion to another party, subject to the creditworthiness requirements set forth in Rule 25. In order to assign capacity, Customer must provide PG&E written notice, using the Assignment of Gas Transmission Services (Form No. 79-867).

RECEIPT POINTS:

PG&E will accept gas on Customer's behalf only at the Receipt Point(s) specified in Exhibit A to the FTSA. On any given day, the total amount of gas nominated for firm transportation service at all Receipt Points may not exceed Customer's MDQ, as specified in the FTSA.

DELIVERY POINTS:

Customer may nominate only to the Delivery Point set forth in Exhibit A to the Customer's FTSA. Customer is responsible for separately arranging for transportation of its gas between the Delivery Point and the ultimate end-use destination(s).

SHRINKAGE:

Transportation volumes will be subject to a shrinkage allowance in accordance with Rule 21.

BALANCING:

Service hereunder shall be subject to all applicable terms, conditions and obligations of Schedule G-BAL.

\* The rules referred to in this schedule are part of PG&E's gas tariffs. Copies are available at local offices.

(Continued)

Advice Letter No. 2052-G  
Decision No. 97-08-055

Issued by  
Thomas E. Bottorff  
Vice President  
Rates & Account Services

Date Filed December 1, 1997  
Effective March 1, 1998  
Resolution No. G-3288

26994 x

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1F**





**San Diego Gas & Electric**  
An Enova Company

P.O. BOX 1631 • SAN DIEGO, CA 92112-4160 • 619 / 696-2000

QFA 100.453

December 2, 1996

FILE NO.

Mr. Dan Thomas  
Manager - Gas Services  
Pacific Gas & Electric Company  
245 Market Street  
San Francisco, CA 94177

Via Fax: (415) 972-0881

Dear Dan:

SDG&E accepts PG&E's latest proposed Amendment to the Firm Transportation Service Agreement between PG&E and SDG&E. SDG&E has executed the two enclosed duplicate originals of the Amendment. Please have them both signed by the appropriate PG&E representative, and then return one of the signed Amendments for SDG&E's files.

I want to raise one point regarding the Amendment to avoid any future disagreement. Paragraph 13 of the new Amendment provides that prior to any future expansion of PG&E's Line 400/401 system, PG&E agrees to offer SDG&E the option to reduce its firm transportation by the lesser of three figures. The final figure is "if applicable, a pro rata share (with other firm Expansion Shippers) of the amount of the new expansion." It is SDG&E's understanding that:

- 1) the phrase "other firm Expansion Shippers" refers only to the Original Firm Expansion Shippers (as that term is defined in Appendix B to the March 14, 1994 Amendment) that are still obligated to PG&E under their original Expansion contracts at the time of the new Expansion (if Edison or other Original Firm Expansion Shippers have been relieved of their original Expansion obligations, such customers would not be included in the calculation of SDG&E's pro rata share); and
- 2) the volumes to be used to calculate SDG&E's pro rata share of a future Line 400/401 expansion are contractual MDQs (e.g., if other remaining Original Firm Expansion Shippers have MDQs which total 50 Mmcf/d, SDG&E's pro rata share of a new Line 400/401 expansion will be 50% of the amount of the new expansion). SDG&E believes this interpretation is consistent with our discussions and with the intent of the Amendment. Please let me know right away if PG&E's understanding regarding this Amendment provision is different than SDG&E's.

Mr. Dan Thomas

-2-

December 2, 1996

Thank you for working with us to bring these Amendment negotiations to a successful conclusion.

Sincerely,



Beth A. Bowman  
Manager  
Fuels & Power Supply  
(619) 696-2535

BAB:jdm

Amendment to the Firm Transportation Service Agreement Between  
San Diego Gas & Electric Company and Pacific Gas and Electric Company

Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) hereby agree to amend the Firm Transportation Service Agreement (FTSA) between them, dated December 31, 1991, as follows:

1. For the "Negotiated Period" as defined in Section 11, SDG&E's rate for gas transportation service under the FTSA shall be a "Negotiated Rate".
  - 1.1. **NEGOTIATED RATE:**


The "Negotiated Rate" shall be \$ 0.28 per decatherm. SDG&E shall pay PG&E each month an amount calculated as follows. SDG&E shall pay a reservation charge equal to the Negotiated Rate times the number of calendar days in the month times the Maximum Daily Quantity. There shall be no usage charge.
  - 1.2. The payment provisions of PG&E's tariffs shall apply.
  - 1.3. During the Negotiated Period, SDG&E shall have a one-time option to elect to pay the standard tariff rates applicable to Expansion deliveries to the Southern Terminus for delivery off system. If SDG&E elects to pay standard tariff rates, SDG&E shall not be able to revert to the Negotiated Rate.
2. Following the Negotiated Period, SDG&E shall pay rates and charges as specified in the CPUC-approved tariff applicable to firm Expansion service, with the exception that such rates and charges shall be no higher than a rate calculated using the methodology in effect at the time the rates and charges are calculated, with a Line 401 capital cost of \$736 million, and a utility capital structure. SDG&E shall pay rates on an SFV basis.
3. Upon a CPUC decision on the PEBA balance, the owing party shall pay all amounts due in a manner consistent with the CPUC decision. Payment of the balance shall be independent of the monthly payments calculated in Section 1.1.
4. SDG&E agrees that PG&E may transfer all or part of its ownership interest in Line 401 without SDG&E's consent and, if PG&E's successor in interest assumes all of PG&E's obligations under the FTSA, PG&E shall have no further or continuing obligations to SDG&E, its successor, or its assignees.
5. SDG&E agrees that, if PG&E or its successor in interest at any time seeks, in accordance with California Public Utilities Commission (CPUC) Resolution L-244, to transfer

Line 401 to the jurisdiction of the Federal Energy Regulatory Commission, SDG&E will neither oppose such a transfer nor claim that such a transfer violates any provision of the FTSA.

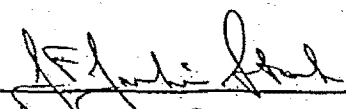
6. As consideration for PG&E's agreement to the Negotiated Rate set forth in paragraph 1, effective immediately, and for the remainder of the 30-year term of the FTSA, SDG&E irrevocably waives rights it has under the "Uniform Terms of Service" set forth in the March 14, 1994 Amendment to the FTSA, and relinquishes all claims it may have either arising under or relating in any way to rights under that provision.
7. For the period beginning on the first day of the Negotiated Period and ending on the last day of the Negotiated Period, SDG&E agrees to deliver all gas transported under this amendment off PG&E's system, using the delivery point specified in Exhibit A attached to the original FTSA. Following the Negotiated Period, SDG&E shall have a right to whatever delivery point options are available in effective CPUC-approved tariffs applicable to long-term firm Expansion service.
8. Within five calendar days of execution of this amendment by both SDG&E and PG&E, SDG&E agrees to withdraw with prejudice all opposition to PG&E's positions in all phases of the consolidated PEPR/ITCS cases; including the so-called 'statewide ITCS' issue.
9. SDG&E agrees to: (a) actively support approval by the CPUC of this amendment, without modification or condition; and (b) actively support PG&E's Gas Accord before the CPUC.
10. Within 60 days of execution of this amendment, PG&E shall file the amendment with the CPUC by advice letter.
11. The Negotiated Period shall begin on the date the CPUC approves this amendment and shall continue until the later of (a) five years from the date or (b) the end of the Gas Accord period, as approved by the CPUC.
12. As consideration for SDG&E's agreement to execute this amendment by December 2, 1996 without the limited protection of a favored-nations provision granting SDG&E the right to take possible subsequent arrangements PG&E might agree to with other firm Expansion shippers under the August 12, 1996 letter, PG&E shall pay to SDG&E the sum of \$150,000 within thirty (30) calendar days from the date this amendment is approved by the CPUC.

13. Prior to any future expansion of PG&E's Line 400/401 system, PG&E agrees to offer SDG&E the option to reduce its firm transportation commitment by the lesser of SDG&E's contract demand, the proposed amount of the new expansion, or, if applicable, a pro rata share (with other firm Expansion Shippers) of the amount of the new expansion.
14. Each provision of this amendment is agreed to by the parties as quid pro quo consideration for each of the other provisions, so that no provision of this amendment is separable from the others for any purpose. If any provision of this amend is deleted, this amendment shall be null and void and of no binding effect on any party.

For SDG&E:

By:   
Title: VICE PRESIDENT  
Date: 12/2/96

For PG&E:

By:   
Title: Asst. Vice President  
Date: Dec. 5, 1996

**PACIFIC GAS AND ELECTRIC COMPANY**  
**CHAPTER 1**  
**ATTACHMENT 1G**

PACIFIC GAS AND ELECTRIC COMPANY  
PIPELINE EXPANSION FIRM TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric TRANSP. ID NO.: 10007-00

EFFECTIVE DATE: From August 1, 2003 To See Section 4:1

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts Deliveries (MMBtu/d)	(MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	52,508	N/A
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station.)	N/A	51,932
3. Into the PG&E Intrastate Distribution System in Northern California	N/A	51,932
4. Alternate Receipt Points		
Location: _____		
Location: _____		
TOTAL:	<u>52,508</u>	<u>51,932</u>

ACCEPTED AND AGREED TO:

SAN DIEGO GAS & ELECTRIC CO.

PACIFIC GAS AND ELECTRIC COMPANY

By: Bob Lowman

By: David [Signature]

Title: Fuel & Power Supply Director

Title: Manager, Products & Sales

Date: 11/5/97

Date: 11/6/97

*13c*  
*SEC*

**PACIFIC GAS AND ELECTRIC COMPANY**

**CHAPTER 1**

**ATTACHMENT 1H**



Pacific Gas and Electric Company

245 Market Street  
San Francisco, CA 94105

*Mailing Address*

Mail Code N15A  
P.O. Box 770000  
San Francisco, CA 94177  
415/973-7000

May 23, 1997



Mr. Roy Alvarez  
San Diego Gas & Electric Co.  
101 Ash St.  
San Diego, CA 92112-4150

RE: Contract Assignment to Husky Gas Marketing, Inc.

Dear Roy:

I am writing both to confirm our earlier conversations and to send documents that pertain to San Diego Gas & Electric Company's (San Diego) assignment of 21,089 Dth from contract #10007-00 to Husky Oil and Gas Marketing, Inc. (Husky).

As I indicated to both you and Bob Deschamps yesterday, our mutual plan is to have all contracts signed and ready for execution when Husky's credit is approved by PG&E. If each party acts without delay, I am optimistic that Husky will be able to nominate their assigned capacity on May 31, for June 1 gas flow.

To that end, enclosed are the following documents for your action:

- "Notice of Assignment... of Pipeline Capacity" for the assignment of San Diego's firm transportation service agreement to Husky. This assignment is for the term of three months, ending on August 31, 1997. Please sign all three copies and send via Federal Express to:

Husky Gas Marketing  
Attention: Bob Deschamps  
707 8th Avenue, S. W.  
Calgary, Alberta T2P 3G7

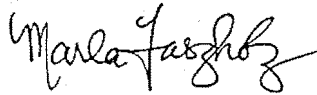
- "Pipeline Expansion Firm Transportation Service Agreement" Exhibit, contract #10007-00. This exhibit is revised to reflect remaining quantities that will continue to be associated with this contract. Please sign these two copies and return via federal express to:

Pacific Gas and Electric Company  
Attn: Marla Faszholz  
245 Market Street  
Mail Code N15A  
San Francisco, CA 94105

Mr. Roy Alvarez  
May 23, 1997  
Page Two

It is a pleasure working on this with you. If you have any questions about these documents, please call me at 415-973-3231.

Sincerely,

A handwritten signature in cursive script that reads "Marla Faszholz".

Marla Faszholz  
Account Representative

/mf  
enclosures

Mr. Roy Alvarez  
May 23, 1997  
Page Three

bcc: Contracts

PACIFIC GAS AND ELECTRIC COMPANY

NOTICE OF ASSIGNMENT AND AGREEMENT TO ASSIGNMENT OF PIPELINE  
EXPANSION CAPACITY

**San Diego Gas & Electric Company** (Assignor), a Shipper on the Pipeline Expansion under a Pipeline Expansion Firm Transportation Service Agreement (Agreement) with Pacific Gas and Electric Company (PG&E), a copy of which is attached hereto (Contract No. 10007-00), agrees to assign to **Husky Gas Marketing Inc. (HGMI)** (Assignee) its rights to the intrastate transportation of **21,089 MMBtu** per day of natural gas on the Pipeline Expansion for a period of **three (3) months**, commencing on **June 1, 1997** and ending on **August 31, 1997**. As consideration for PG&E's consent to this assignment, (a) Assignee hereby accepts this assignment and all of Assignor's duties and obligations under the attached Agreement and agrees to perform fully thereunder for the period set forth herein, and (b) Assignor agrees to remain fully liable for Assignee's performance, including the payment of any bill that is overdue. PG&E shall send all bills and notices to Assignor at the address set forth in Exhibit A hereto. All remedies available to PG&E under the Agreement shall apply to this assignment.

Executed on: \_\_\_\_\_

at \_\_\_\_\_

\_\_\_\_\_  
Assignor

By: \_\_\_\_\_

Its: \_\_\_\_\_

Executed on: \_\_\_\_\_

at \_\_\_\_\_

\_\_\_\_\_  
Assignee

By: \_\_\_\_\_

Its: \_\_\_\_\_

PG&E hereby consents to the foregoing assignment.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_

Its: Manager, Gas Services

Dated: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY

NOTICE OF ASSIGNMENT AND AGREEMENT TO ASSIGNMENT OF PIPELINE  
EXPANSION CAPACITY

EXHIBIT A

EFFECTIVE FROM June 1, 1997 TO August 31, 1997

ASSIGNOR NAME: San Diego Gas & Electric Co. TRANSP. ID.NO.: 10013-00

Formal Husky Gas Marketing Inc. (HGMI)  
Communications, Attn: Russel Booth  
Offers and 707 - 8th Avenue, S.W.  
Acceptances Box 6525, Station D  
Calgary, Alberta T2P 3G7  
Canada

Telephone No.: (403) 298-6945  
Telecopy No.: (403) 298-6343

Billing, Husky Gas Marketing Inc. (HGMI)  
Statements Attn: Clark Getz  
and Invoices 707-8th Avenue, S.W.  
Box 6525, Station D  
Calgary, Alberta T2P 3G7  
Canada

Telephone No.: (403) 298-6805  
Telecopy No.: (403) 298-6343

Operating Husky Oil Operations LTD  
Communication Attn: Bob Deschamps  
Offers and 707-8th Avenue, S.W.  
Acceptances Box 6525, Station D  
Calgary, Alberta T2P 3G7  
Canada

Telephone No.: (403) 298-6172  
Telecopy No.: (403) 298-6343

PACIFIC GAS AND ELECTRIC COMPANY  
PIPELINE EXPANSION FIRM TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric TRANSP. ID NO.: 10007-00

EFFECTIVE DATE: From June 1, 1997 To August 31, 1997

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts Deliveries (MMBtu/d)	(MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	<u>31,185</u>	<u>N/A</u>
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station.)	<u>N/A</u>	<u>30,843</u>
3. Into the PG&E Intrastate Distribution System in Northern California	<u>N/A</u>	<u>30,843</u>
4. Alternate Receipt Points		
Location: _____		
Location: _____		
TOTAL:	<u>31,185</u>	<u>30,843</u>

ACCEPTED AND AGREED TO:

SAN DIEGO GAS & ELECTRIC CO.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: Manager, Gas Services

Date: \_\_\_\_\_

Date: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY  
PIPELINE EXPANSION FIRM TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric TRANSP. ID NO.: 10007-00

EFFECTIVE DATE: From September 1, 1997 To See Section 4.1

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts Deliveries (MMBtu/d)	(MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	<u>52,508</u>	<u>N/A</u>
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station.)	<u>N/A</u>	<u>51,932</u>
3. Into the PG&E Intrastate Distribution System in Northern California	<u>N/A</u>	<u>51,932</u>
4. Alternate Receipt Points		
Location: _____		
Location: _____		
TOTAL:	<u>52,508</u>	<u>51,932</u>

ACCEPTED AND AGREED TO:

SAN DIEGO GAS & ELECTRIC CO.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: Manager, Gas Services

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Tilda - did you please prepare a capacity assignment agreement for

PACIFIC GAS AND ELECTRIC COMPANY

San Diego + Husky Gas Marketing

NOTICE OF ASSIGNMENT AND AGREEMENT TO ASSIGNMENT OF PIPELINE EXPANSION CAPACITY

We will fed'l express the document to SD&TE for signature.

The goal is to have the contract in place for June 1st noms.

52502

EXHIBIT A

EFFECTIVE FROM 6/1/97 TO 8/31/97

ASSIGNOR NAME: SAN DIEGO GAS & ELECTRIC CO. TRANSP. ID.NO.: 0900 10007

Formal Communications, Offers and Acceptances RUSSEL BODTH @ HUSKY GAS MARKETING INC. (HGMI) 707 8TH AVENUE S.W. BOX 6525, STATION D CALGARY, ALBERTA T2P 3G7

Telephone No.: ( ) 403-298-6945
Telecopy No.: ( ) 403-298-6343

Billing, Statements and Invoices CLARK GETZ @ HGMI 707 8TH AVENUE S.W. BOX 6525, STATION D CALGARY, ALBERTA T2P 3G7

Telephone No.: ( ) 403-298-6805
Telecopy No.: ( ) 403-298-6343

Operating Communication, Offers and Acceptances BOB DESCHAMPS @ HUSKY OIL OPERATIONS LTD 707 8TH AVENUE S.W. BOX 6525, STATION D CALGARY, ALBERTA T2P 3G7

Telephone No.: ( ) 403-298-6172
Telecopy No.: ( ) 403-298-6343



**PACIFIC GAS AND ELECTRIC COMPANY**  
**CHAPTER 2**  
**G-XF RATES, NON-G-XF BACKBONE RATES AND**  
**REVENUE SHARING**

PACIFIC GAS AND ELECTRIC COMPANY  
CHAPTER 2  
G-XF RATES, NON-G-XF BACKBONE RATES AND REVENUE SHARING

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1                                   **PACIFIC GAS AND ELECTRIC COMPANY**  
2   **CHAPTER 2**  
3                                   **G-XF RATES, NON-G-XF BACKBONE RATES AND**  
4                                   **REVENUE SHARING**

5   **A. Introduction**

6   Q 1    Please state your name and the purpose of this testimony.

7   A 1    My name is Ray Blatter. This testimony responds to the September 20,  
8           2010 testimony of Johannes Van Lierop on behalf of San Diego Gas &  
9           Electric Company (SDG&E) and Southern California Gas Company  
10          (SoCalGas).

11           In that testimony, Mr. Van Lierop asserts that: (1) the GX-F rates should  
12          be lowered for the Gas Accord V period by the same percentage as the  
13          Noncore Redwood Path rates were lowered by the Gas Accord V Settlement  
14          relative to Pacific Gas and Electric Company's (PG&E) filed Noncore  
15          Redwood Path rates; (2) the Gas Accord V revenue sharing mechanism is  
16          discriminatory and should be rejected because it excludes G-XF shippers;  
17          and (3) PG&E should allow SoCalGas to use its Rate Schedule G-XF  
18          contract to deliver gas at the PG&E Citygate in addition to its existing right to  
19          deliver gas into the SoCalGas system.

20           The purpose of my testimony is to: (1) describe the ratemaking  
21          methodology and rationale for PG&E's G-XF and non-G-XF backbone rates;  
22          (2) explain why the percentage reduction between initially proposed rates  
23          and Settlement rates for G-XF shippers should not equal the percentage  
24          reduction between initially proposed and Settlement Noncore Redwood Path  
25          rates; (3) explain the rationale for excluding G-XF shippers from participating  
26          in the revenue sharing provisions of Gas Accord V; and (4) calculate the  
27          impact on other customers' rates if G-XF shippers had the right to deliver  
28          gas at the PG&E Citygate.

29           PG&E witness Roger Graham describes the bases for PG&E's  
30          opposition to SoCalGas' claim that it be permitted to deliver gas to the  
31          PG&E Citygate under its G-XF contract.

32   **B. G-XF Ratemaking Process**

33   Q 2    What costs are collected through PG&E's G-XF backbone rate?

1 A 2 PG&E's G-XF rate schedule ("Pipeline Expansion Firm Intrastate  
2 Transportation Service") collects costs exclusively associated with PG&E's  
3 Line 401 Expansion project and reflects the incremental cost of providing  
4 service on the Line 401 Expansion pipeline.

5 Q 3 Please briefly describe how PG&E's G-XF rate is calculated.

6 A 3 PG&E's G-XF Expansion Shipper rates are calculated as follows:

7 (1) Determine the percentage of total Line 401 capacity contracted by G-XF  
8 shippers.

9 (2) Establish the G-XF revenue requirement by multiplying the total  
10 Line 401 revenue requirement—established in the Line 401 Unbundled  
11 Cost Category (UCC)—by the percentage determined in Step 1.

12 (3) Determine the percentages of fixed and variable costs included in the  
13 total Line 401 revenue requirement.

14 (4) Establish the G-XF fixed and variable revenue requirements by  
15 multiplying the total G-XF revenue requirement determined in Step 2 by  
16 the fixed and variable percentages determined in Step 3.

17 (5) Calculate the G-XF billing determinants:

18 ffi Reservation billing determinant = Line 401 capacity contracted by  
19 G-XF shippers (thousand decatherms per day (MDth/d)) multiplied  
20 by 12 months.

21 ffi Usage charge billing determinant = Line 401 capacity contracted by  
22 G-XF shippers (MDth/d) multiplied by 365 days multiplied by a  
23 95 percent load factor.

24 (6) Calculate rates:

25 ffi Reservation rate = fixed G-XF revenue requirement determined in  
26 Step 4 divided by the reservation billing determinant calculated in  
27 Step 5.

28 ffi Usage rate = variable G-XF revenue requirement determined in  
29 Step 4 divided by the usage billing determinant calculated in Step 5.

30 Q 4 Has PG&E's G-XF rate always been calculated in this manner?

31 A 4 Yes. The G-XF rate has always been an incremental rate calculated in the  
32 same manner as described above. Incremental rate treatment for G-XF  
33 Expansion Shipper service on Line 401 was first established in the California

1 Public Utilities Commission (CPUC or Commission) decision that granted  
2 PG&E permission to construct the Line 401 Expansion (Decision 90-12-119,  
3 Finding of Fact Nos. 41 and 101). The original Gas Accord Settlement,  
4 approved by Decision 97-08-055, provided for continuation of this G-XF  
5 ratemaking methodology for Line 401 firm shippers who continued taking  
6 G-XF service. Incremental rate treatment for G-XF Expansion Shipper  
7 service was also explicitly continued in Commission Decision 03-12-061  
8 (Conclusion of Law 57) for rates in effect in 2004 and has remained in place  
9 in the two subsequent Gas Accords that have been in effect since that time.

### 10 **C. Noncore Redwood Settlement Rates Bear No Relationship to** 11 **G-XF Rates**

12 Q 5 Mr. Van Lierop notes on page 9 (Lines 1 and 2) of his testimony that  
13 “settlement rates for G-XF are more than 10 percent above the rates first  
14 proposed by PG&E in its initial testimony.” Why are the G-XF Settlement  
15 rates higher than the G-XF rates first proposed in PG&E’s initial testimony  
16 served on September 18, 2009?

17 A 5 The increase in G-XF rates after PG&E filed its Application on  
18 September 18, 2009, is attributable to the correction of two errors that were  
19 discovered subsequent to PG&E’s initial filing. First, the Redwood Line 401  
20 capacity was overstated in PG&E’s initial filing. PG&E corrected that  
21 overstated capacity amount in PG&E’s amendment to  
22 Application 09-09-013, filed with the Commission on December 8, 2009. As  
23 a result of that correction, the G-XF revenue requirement increased because  
24 the G-XF portion of Line 401 capacity represented a larger percentage of  
25 total Line 401 capacity than in PG&E’s September 18, 2009 filing. Thus, this  
26 cost allocation correction resulted in an increase to the G-XF rates.

27 Second, certain Delevan Compressor station-related costs that should  
28 have been assigned to Lines 400 and 401 on a pro-rata basis, consistent  
29 with Commission Decision 90-12-119, Conclusion of Law No. 15, were  
30 inadvertently included in only one line or the other. Additionally, certain  
31 Bethany Compressor station-related costs that should have been included in

1 the Line 401 revenue requirement<sup>[1]</sup> were erroneously classified as Local  
2 Transmission costs.

3 PG&E notified the Commission and parties to this proceeding about the  
4 correction of these errors by email dated April 16, 2010 (a copy of which is  
5 attached hereto as Attachment 2A). The correction was also included in  
6 PG&E's errata to testimony served on the parties on April 23, 2010.  
7 Correction of this error did not change PG&E's total revenue requirement,  
8 but it increased the costs assigned to Line 401 and decreased the costs  
9 assigned to Line 400 and Local Transmission. Since the G-XF rate reflects  
10 the incremental cost of service on Line 401, this correction resulted in an  
11 increase to the G-XF rates.

12 Q 6 Mr. Van Lierop notes on page 9 (Lines 4-12) of his testimony that the  
13 non-G-XF Noncore Redwood Path and Baja Path Settlement rates are  
14 18.4 percent and 7.7 percent lower, respectively, than the rates proposed in  
15 PG&E's initial testimony. Why are the Noncore Redwood Path and Noncore  
16 Baja Path Settlement rates lower than the Noncore Redwood Path and  
17 Noncore Baja Path rates first proposed in PG&E's initial testimony?

18 A 6 The changes to the Noncore Redwood Path and Noncore Baja Path rates  
19 between PG&E's initial filing and the Gas Accord V Settlement reflect  
20 changes, made during Settlement negotiations, to numerous components  
21 that are inputs to the Settlement rates, including revenue requirement,  
22 throughput, cost allocation, and rate design factors. In addition, the  
23 Settlement Noncore Redwood and Noncore Baja Path rates reflect the  
24 two corrections discussed in Question and Answer 5 of this testimony.  
25 Table 2-1 below discusses key differences in the calculation of the rates  
26 proposed in PG&E's April 23, 2010 errata to testimony and Settlement rates.

---

[1] The Bethany Compressor station serves only Line 401.

**TABLE 2-1  
PACIFIC GAS AND ELECTRIC COMPANY  
PROPOSED (APRIL 23, 2010) VS. SETTLEMENT BACKBONE RATES**

Line No.	Item	Proposed Rates	Gas Accord V Settlement Rates
1	Backbone Revenue Requirement  (Including Load Balancing)	Backbone revenue requirement:  \$234.0 million in 2011, \$247.5 million in 2012, \$260.4 million in 2013, and \$264.6 million in 2014.	Backbone revenue requirement (before seed value credit):  \$226.6 million in 2011, \$237.6 million in 2012, \$245.5 million in 2013, and \$247.4 million in 2014.
2	Backbone Throughput (Demand) Forecast Used in Load Factor Calculation	Backbone on-system demand:  1,978 MDth/d in 2011, 2,011 MDth/d in 2012, 2,007 MDth/d in 2013, and 2,026 MDth/d in 2014.  Off-system non-G-XF revenues were forecasted at \$3.28 million/year.	Backbone on-system demand is increased to  1,996 MDth/d in 2011, 2,085 MDth/d in 2012, 2,106 MDth/d in 2013, and 2,115 MDth/d in 2014.  In addition, the off-system non-G-XF revenue forecast is raised to \$4.57 million, further increasing the backbone throughput used for rate design.
3	Cost Allocation to Backbone Paths	Demand based. Cost allocation based on the relative costs assigned to the various backbone UCCs and the forecast throughput (demand) on each path.	Capacity based. Cost allocation based on the relative costs assigned to the various backbone UCCs and the path capacities.
4	Backbone Rate Calculation	Demand based. Rate calculation based on forecast throughput (demand) on each path.	Traditional system-average load factor based. Rate calculation based on the product of path capacity multiplied by system-average load factor.
5	Transmission Path Averaging	Equalized Core Redwood and Core Baja rate. Equalized Noncore Redwood and Noncore Baja rate. Traditional Silverado, Mission, and G-XF rates.	Traditional Redwood and Baja rates with two key changes: (1) Single Baja firm rate split into Core Baja and Noncore Baja rates; and (2) Baja-Redwood rate differentials were determined by negotiation.
6	Revenue Sharing Mechanism Seed Value	Did not include a sharing mechanism seed value.	Revenues collected in backbone transmission rates were reduced by \$15.787 million in 2011, \$15.646 million in 2012, \$15.439 million in 2013 and \$15.071 million in 2014 to reflect the backbone transmission portion of a settled seed value of \$30 million/year. These credits are allocated to all backbone paths and services except G-XF service.
7	Backbone Surcharge to recover a portion of the Gas Accord V Local Transmission Bill Credits	Did not include a Backbone Surcharge.	Annual Firm rates include a Backbone Surcharge of \$0.0024 per Dth. Seasonal Firm and As-Available rates include a Backbone Surcharge of \$0.0029 per Dth. G-XF rates do not include any surcharge.

1 Q 7 On pages 9-10 of his testimony, Mr. Van Lierop recommends that the  
2 Commission lower the Gas Accord V Settlement G-XF rates to reflect  
3 percentage reductions similar to the reductions the Settlement provides for  
4 Noncore Redwood Path rates, as compared to the rates in PG&E's errata to  
5 testimony dated April 23, 2010. Would such a reduction be appropriate?

6 A 7 No. G-XF rates reflect the incremental cost of service on PG&E's Line 401.  
7 Noncore Redwood Path rates do not. Instead, Noncore Redwood rates  
8 reflect the blended costs of that portion of Line 400 not set aside for Core  
9 customers, that portion of Line 401 not set aside for G-XF shippers, and  
10 various "common"<sup>[2]</sup> backbone costs that are allocated to all backbone  
11 paths and services except Rate Schedule G-XF. Also, Noncore Redwood  
12 rates are based on a forecasted system-average load factor. In contrast, as  
13 described in Question and Answer 3 of this testimony, G-XF rates are  
14 designed based on a 100 percent load factor for the reservation charge  
15 component and a 95 percent load factor for the usage component. In  
16 addition, under the Gas Accord V rate design, Noncore Redwood rates are  
17 initially averaged with Noncore Baja rates, then de-averaged by means of  
18 negotiated rate differentials that increase Noncore Baja rates and decrease  
19 Noncore Redwood rates relative to the average. These rate differentials are  
20 a result of a negotiated compromise among the Gas Accord V Settlement  
21 Parties. They have nothing to do with the calculation of G-XF rates. Finally,  
22 Noncore Redwood rates include a revenue sharing mechanism seed value  
23 credit and a Backbone Surcharge to recover a portion of the Gas Accord V  
24 Local Transmission Bill Credits, while G-XF rates exclude both of these  
25 items. In short, there are numerous differences in the rate design between  
26 G-XF rates and Noncore Redwood rates, and between PG&E's filed  
27 Noncore Redwood rates and the Gas Accord V Settlement Noncore  
28 Redwood rates. Thus, there is no reason to expect that the percentage  
29 change in the G-XF rate should match the percentage change in the  
30 Noncore Redwood rate as a result of the Settlement negotiations. As  
31 described in the response to Question 2, above, the objective of the G-XF

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[2] "Common" backbone costs include the costs of PG&E's Bay Area Loop facilities and gathering facilities, and storage costs allocated to pipeline load balancing service.



1 rates is to recover the incremental cost of service of PG&E's Line 401. The  
 2 Gas Accord V Settlement continues to serve this objective. Mr. Van Lierop's  
 3 recommendation results in rates that do not meet this objective.

4 Q 8 Do you have any other comments about Mr. Van Lierop's suggestion that  
 5 the G-XF Settlement rates should experience the same reduction as the  
 6 Noncore Redwood Settlement rates, relative to PG&E's filed rates?

7 A 8 Yes. The G-XF rate is already significantly lower than the Noncore  
 8 Redwood rate in absolute terms. The 2011-2014 average G-XF rate is  
 9 \$0.2013 per Dth. By comparison, the 2011-2014 average Noncore  
 10 Redwood rate for annual firm service is \$0.2852 per Dth. In fact, under Gas  
 11 Accord V, the G-XF rate is lower than any other annual firm rate on PG&E's  
 12 backbone system except the Silverado rate, which is applicable to a tiny  
 13 fraction of PG&E's backbone throughput.

14 I would also like to point out that the G-XF rates already experience  
 15 larger year-to-year percentage declines during the Gas Accord V Settlement  
 16 period than do PG&E's Noncore Redwood rates. The G-XF rate has an  
 17 average percent change of -1.8 percent per year during 2011-2014. The  
 18 Noncore Redwood rate, by comparison, has an average percent change of  
 19 only -1.0 percent per year during the same period. This difference is shown  
 20 in Table 2-2 below.

**TABLE 2-2  
 PACIFIC GAS AND ELECTRIC COMPANY  
 ANNUAL AVERAGE GROWTH RATE  
 NONCORE REDWOOD COMPARED WITH G-XF**

Line No.		2010	2011	2012	2013	2014	Average Annual Growth Rate
1	Noncore Redwood Rates	\$0.2941	\$0.2865	\$0.2857	\$0.2862	\$0.2825	-1.0%
2	G-XF Rates	\$0.2096	\$0.2053	\$0.2060	\$0.1992	\$0.1946	-1.8%

**D. G-XF Shippers Should Not Participate in Revenue Sharing**

21 Q 9 Does PG&E agree that G-XF Expansion shippers should be included in the  
 22 proposed Gas Accord V revenue sharing mechanism, as Mr. Van Lierop  
 23 asserts on page 10 of his testimony?  
 24

1 A 9 No. As described above, PG&E's G-XF rates are incremental rates. G-XF  
2 Expansion shippers are responsible only for costs narrowly attributable to  
3 PG&E's Line 401 Expansion project. It is not appropriate for these shippers  
4 to incur costs or receive credits associated with other backbone  
5 transmission paths or other lines of business. The revenue sharing  
6 mechanism addresses costs associated with other backbone transmission  
7 paths as well as PG&E's Local Transmission and Storage lines of business.  
8 Accordingly, G-XF service is excluded from revenue sharing. For similar  
9 reasons, G-XF service is also shielded from the Backbone Surcharge  
10 designed to recover a portion of the proposed Gas Accord V Local  
11 Transmission Bill Credits.

12 **E. Impact on Other Customers' Rates if SoCalGas Were Permitted**  
13 **to Deliver Gas to PG&E's Citygate Under Its G-XF Contract**

14 Q 10 Mr. Van Lierop claims that PG&E should allow SoCalGas to use its G-XF  
15 contract to deliver gas at the PG&E Citygate as well as into the SoCalGas  
16 system. Would there be an impact on PG&E's backbone transmission rates  
17 if SoCalGas were allowed to use its G-XF capacity to deliver gas at the  
18 PG&E Citygate as well as into the SoCalGas system?

19 A 10 Yes. SoCalGas deliveries at the PG&E Citygate would displace PG&E  
20 deliveries to the same customers via other backbone services. This  
21 displacement would necessitate a reduction in the on-system demand  
22 forecast and the system-average load factor used in PG&E's backbone rate  
23 calculations, resulting in higher rates for all backbone services except G-XF  
24 service. If all G-XF contracts were ordered modified to include on-system  
25 delivery rights, and these contracts were fully used to deliver gas to the  
26 PG&E Citygate, the impact on PG&E's annual firm backbone transmission  
27 rates would be as shown in Table 2-3, below:[3]

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[3] If only the SoCalGas G-XF contract was to receive on-system delivery rights, and other backbone rates were accordingly revised, the non-G-XF rate increases would be 60 percent (2011) to 65 percent (2012-2014) of the rate increases shown in Table 2-3. G-XF rates would remain unchanged.

**TABLE 2-3  
PACIFIC GAS & ELECTRIC COMPANY  
ANNUAL FIRM BACKBONE TRANSMISSION RATES  
GAS ACCORD V SETTLEMENT RATES VS.  
GAS ACCORD V SETTLEMENT RATES WITH G-XF ON-SYSTEM DELIVERIES  
(\$ PER DTH AT FULL CONTRACT)**

Line No.		2011	2012	2013	2014
1	<u>Redwood Path – Core</u>				
2	Settlement Rates – Filed	0.2212	0.2261	0.2336	0.2335
3	Settlement Rates with G-XF On-System Deliveries	0.2343	0.2380	0.2458	0.2458
4	<u>Baja Path – Core</u>				
5	Settlement Rates – Filed	0.2462	0.2561	0.2736	0.2835
6	Settlement Rates with G-XF On-System Deliveries	0.2593	0.2680	0.2858	0.2958
7	<u>Redwood Path – Noncore</u>				
8	Settlement Rates – Filed	0.2865	0.2857	0.2862	0.2825
9	Settlement Rates with G-XF On-System Deliveries	0.3032	0.3004	0.3008	0.2969
10	<u>Baja Path – Noncore</u>				
11	Settlement Rates – Filed	0.3115	0.3157	0.3262	0.3325
12	Settlement Rates with G-XF On-System Deliveries	0.3282	0.3304	0.3408	0.3469
13	<u>Silverado and Mission Paths</u>				
14	Settlement Rates – Filed	0.1604	0.1606	0.1654	0.1664
15	Settlement Rates with G-XF On-System Deliveries	0.1694	0.1686	0.1734	0.1743
16	<u>G-XF</u>				
17	Settlement Rates – Filed	0.2053	0.2060	0.1992	0.1946
18	Settlement Rates with G-XF On-System Deliveries	0.2053	0.2060	0.1992	0.1946

1 **F. Conclusion**

2 Q 11 Is there anything you would like to say in conclusion?

3 A 11 Yes. Mr. Van Lierop’s recommendations that G-XF Expansion shippers  
4 should be included in the Gas Accord V Settlement revenue sharing  
5 mechanism and that the Commission should lower the Gas Accord V  
6 Settlement G-XF rates to reflect percentage reductions similar to the  
7 reductions the Settlement provides for Noncore Redwood Path rates, as  
8 compared to the rates in PG&E’s errata to testimony dated April 23, 2010,  
9 should be rejected. G-XF Expansion rates reflect the incremental cost of  
10 providing service on the Line 401 Expansion pipeline. Both of the  
11 recommendations made by Mr. Van Lierop result in G-XF Expansion rates  
12 that do not reflect the incremental cost of service on the Line 401 Expansion  
13 by applying an arbitrary rate reduction and inappropriately blending costs

1 associated with other backbone transmission paths and other lines of  
2 business in the G-XF rate.

3 Finally, Mr. Van Lierop's claim that SoCalGas should be allowed to use  
4 its G-XF contract to deliver gas at the PG&E Citygate as well as into the  
5 SoCalGas system would result in higher rates for all of PG&E's backbone  
6 services except G-XF service.

7 Q 12 Does this conclude your testimony?

8 A 12 Yes, it does.

**PACIFIC GAS AND ELECTRIC COMPANY**  
**CHAPTER 2**  
**ATTACHMENT 2A**

**From:** Lei, Wendy  
**To:** "keith.mccrea@sutherland.com"; "joe.paul@dynegy.com"; "trish.french@kernrivergas.com"; "jpong@sempra.com"; "npedersen@hanmor.com"; "jleslie@luce.com"; "map@cpuc.ca.gov"; "mflorio@turn.org"; "sls@a-klaw.com"; "bcragg@goodinmacbride.com"; "mday@goodinmacbride.com"; "dhuard@manatt.com"; "jkarp@winston.com"; Klein, Kerry (Law); "service@spurr.org"; "Sean.Beatty@mirant.com"; "tomb@crossborderenergy.com"; "bmcc@mccarthy.com"; "dcarroll@downeybrand.com"; "glw@eslawfirm.com"; "schon@smud.org"; "atrowbridge@daycartermurphy.com"; "pinney@capp.ca"; "MNelson@MccarthyLaw.com"; "rothenergy@sbcglobal.net"; "julien.dumoulin-smith@ubs.com"; "doug.vanbrunt@credit-suisse.com"; "eva\_neufeld@transcanada.com"; "bday@sparkenergy.com"; "kziobler@sparkenergy.com"; "francesca.ciliberti@el Paso.com"; "william.tomlinson@el Paso.com"; "peteresposito@earthlink.net"; "JLsalazar@semprautilities.com"; "klatt@energyattorney.com"; "michael.alexander@sce.com"; "marcie.milner@shell.com"; "ek@a-klaw.com"; Orr, Carl (GT&D); "filings@a-klaw.com"; "ray.welch@navigantconsulting.com"; Graham, Roger (GT&D); Lei, Wendy; Stock, William; "jarmstrong@gmsr.com"; "lcottle@winston.com"; "tkaushik@manatt.com"; "tsolomon@winston.com"; "cem@newsdata.com"; Castrence, Kristina; Patrizio, Mark (Law); RegRelCPUCCases; RegRelCPUCCases; Brennan, Kenneth J (GT&D); "ken@in-houseenergy.com"; "beth@beth411.com"; "kowalewska@calpine.com"; "JerryL@abaq.ca.gov"; "mrw@mrwassoc.com"; "bill@jbsenergy.com"; "audra.hartmann@dynegy.com"; "bsb@eslawfirm.com"; "jdh@eslawfirm.com"; "smoorma@smud.org"; "Julie.Morris@iberdrolausa.com"; "jason.dubchak@niskags.com"; "adf@cpuc.ca.gov"; "cpe@cpuc.ca.gov"; "jnm@cpuc.ca.gov"; "jsw@cpuc.ca.gov"; "kms@cpuc.ca.gov"; "kcl@cpuc.ca.gov"; "pzs@cpuc.ca.gov"; "rxr@cpuc.ca.gov"; "ram@cpuc.ca.gov"; "tmr@cpuc.ca.gov";  
**Subject:** A09-09-013 - PG&E's 2011 Gas Transmission and Storage Rate Case Application Errata  
**Date:** Friday, April 16, 2010 8:20:33 AM  
**Attachments:** GT S Rate Case Errata to Filed Rates (00097696).DOC  
Summary of Rate Changes 04.12.10.xls

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To All Parties on the Service List for CPUC Docket No. A.09-09-013:

Please see the attached document, concerning an error PG&E has recently discovered in allocating costs between Line 400 and Line 401 for forecasted capital projects at PG&E's Redwood path compressor stations, and a correction of that error. PG&E has informed ALJ Wong of the error, and the proposal for notifying the parties of the error and corrected proposed rates.

Sent on behalf of,

Kerry Klein  
Attorney  
Pacific Gas and Electric Company  
415-973-3251

If you have any difficulty opening the attachments, please contact Wendy Lei at 415.973.6406 or [WMLb@pge.com](mailto:WMLb@pge.com).

Note: PG&E does not maintain the official service list for Docket No. A.09-09-013. If you no longer want to receive documents regarding this docket, please contact the CPUC Process Office directly via email at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov) or by phone at 415.703.2021.

TO ALL PARTIES IN PG&E'S 2011 GT&S RATE CASE (A. 09-09-013):

It has come to PG&E's attention that PG&E made an error in allocating costs between Line 400 and Line 401 for forecasted capital projects at PG&E's Redwood path compressor stations. Historically, PG&E has allocated capital costs for work done at these compressor stations on a *pro rata* basis depending on the relative throughput capacities of the two lines, in accordance with D. 90-12-119, Ordering Paragraph 15. (The actual percentage allocators have changed over time as the throughput capacities have changed). However, when developing its 2011 GT&S Rate Case, there were a few compressor station projects in PG&E's capital forecast that were erroneously assigned only to the Line 400 Unbundled Cost Category (UCC). These projects are:

<b>Project</b>	<b>Forecast Capital Expenditures (in \$000s)</b>	<b>Order No.</b>
Delevan K3/Gerber K1 SCR	\$8,100	5735458
Replace Unit K1/K2 Delevan	\$75,858	5722956
Delevan Cs, Upgrade Station Con	\$2,914	5722960
Delevan K3 Turbine Exchange	\$2,036	5735698
Upgrade Delevan K3 Plc	\$2,514	5725200

Assigning the costs of these five projects solely to Line 400 caused higher rates for Core customers, and lower rates for Noncore and G-XF customers, than would have resulted had PG&E allocated these costs *pro rata* between Line 400 and Line 401.

PG&E has corrected this error in cost allocation for these five projects, resulting in the following corrected cost allocation:

<b>Project</b>	<b>Forecast Capital Expenditures (in \$000s)</b>	<b>Line 401</b>	<b>Line 400</b>	<b>Order No.</b>
Delevan K3/Gerber K1 SCR	\$8,100	\$4,018	\$4,083	5735458
Replace Unit K1/K2 Delevan	\$75,858	\$37,626	\$38,232	5722956
Delevan Cs, Upgrade Station Con	\$2,914	\$1,445	\$1,468	5722960
Delevan K3 Turbine Exchange	\$2,036	\$1,010	\$1,026	5735698
Upgrade Delevan K3 Plc	\$2,514	\$1,247	\$1,267	5725200

In addition, there are two projects forecasted for the Bethany Compressor Station that were erroneously allocated to Local Transmission. These projects should have been



allocated solely to the Line 401 UCC. (The Bethany Compressor Station serves only Line 401). These projects are:

<b>Project</b>	<b>Forecast Capital Expenditures (in \$000)</b>	<b>Order No.</b>
Bethany Upgrade Unit Controls	\$4,000	5735467
Bethany Unit VFD Replacement	\$6,500	5735468

**The corrections described above do not affect PG&E's total filed revenue requirement, only the allocation of the revenue requirement among Local Transmission, Line 400 and Line 401.**

PG&E has recalculated rates using the correct allocations discussed above. Updated rate tables are included as an attachment to this email, in the form of an updated Exhibit C.

Also included as an attachment to this email is a comparison table that compares the corrected rates to the rates filed in PG&E's December 9, 2009 filed amendment.

If PG&E's 2011 GT&S Rate Case proceeds to hearing, PG&E will introduce the attached updated rates as its filed rate proposal.

### Summary of Transportation and Storage Rates

(\$/Dth, G-AFT @ Full Contract)

Line No.	Rate Category	2010	2011	2012	2013	2014
1	Baja: Core	0.319	0.272	0.287	0.309	0.313
2	Baja: Noncore	0.319	0.338	0.357	0.374	0.372
3	Redwood: Core	0.155	0.272	0.287	0.309	0.313
4	Redwood: Noncore	0.294	0.338	0.357	0.374	0.372
5	Silverado/Mission	0.153	0.148	0.153	0.162	0.163
6	G-XF	0.210	0.207	0.207	0.200	0.195
7	Local Transmission - Core (\$/Dth)	0.337	0.455	0.484	0.509	0.546
8	Local Transmission - Noncore (\$/Dth)	0.146	0.220	0.233	0.257	0.272
9	Core Firm Storage (\$/Dth/Mo.)	0.109	0.127	0.131	0.135	0.138

**Summary of Transportation and Storage Rate Changes  
(\$/Dth, G-AFT @ Full Contract)**

Line No.	Rate Category	Amended Application Filed December 8, 2009				Errata - Revised Rates (4/16/10)				Rate Changes			
		2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
1	Baja: Core	0.278	0.297	0.320	0.327	0.272	0.287	0.309	0.313	(0.0060)	(0.0101)	(0.0116)	(0.0132)
2	Baja: Noncore	0.332	0.348	0.362	0.358	0.338	0.357	0.374	0.372	0.0059	0.0095	0.0115	0.0144
3	Redwood: Core	0.278	0.297	0.320	0.327	0.272	0.287	0.309	0.313	(0.0060)	(0.0101)	(0.0116)	(0.0132)
4	Redwood: Noncore	0.332	0.348	0.362	0.358	0.338	0.357	0.374	0.372	0.0059	0.0095	0.0115	0.0144
5	Silverado/Mission	0.148	0.153	0.162	0.163	0.148	0.153	0.162	0.163	(0.0001)	(0.0002)	(0.0002)	0.0001
6	G-XF	0.196	0.190	0.179	0.169	0.207	0.207	0.200	0.195	0.0105	0.0174	0.0206	0.0259
7	Local Transmission - Core (\$/Dth)	0.455	0.484	0.509	0.548	0.455	0.484	0.509	0.546	0.0000	0.0000	(0.0004)	(0.0019)
8	Local Transmission - Noncore (\$/Dth)	0.220	0.233	0.257	0.273	0.220	0.233	0.257	0.272	0.0000	0.0000	(0.0002)	(0.0009)
9	Core Firm Storage (\$/Dth/Mo.)	0.127	0.131	0.135	0.138	0.127	0.131	0.135	0.138	0.0000	0.0000	0.0000	0.0000

**Pacific Gas and Electric Company**  
**2011 Gas Transmission & Storage Rate Case**

**Illustrative Class Average End Use Rates - Annual Firm Baja Backbone Transmission (\$/Dth)**

	2010 Rates (1)			2011 Gas Transmission & Storage Rate Case Proposed 2011 Rates			
	End Use Rate	Annual Baja Backbone (4)	Total 2010	End Use Rate	Annual Baja/Redwood Backbone (4)	Total 2011	% Change
<b>Core Retail Bundled Service (2)</b>							
Residential Non-CARE	13.854		13.854	14.045		14.045	1.4%
Small Commercial	11.925		11.925	12.110		12.110	1.6%
Large Commercial	9.747		9.747	9.910		9.910	1.7%
Uncompressed Core NGV	8.757		8.757	8.913		8.913	1.8%
Compressed Core NGV	17.864		17.864	17.943		17.943	0.4%
<b>Core Retail Transport Only (3)</b>							
Residential Non-CARE	5.494	0.319	5.813	5.580	0.272	5.852	0.7%
Small Commercial	3.672	0.319	3.991	3.758	0.272	4.030	1.0%
Large Commercial	1.846	0.319	2.165	1.932	0.272	2.204	1.8%
Uncompressed Core NGV	0.962	0.319	1.281	1.048	0.272	1.320	3.0%
Compressed Core NGV	10.070	0.319	10.389	10.156	0.272	10.427	0.4%
<b>Noncore Retail Transportation Only (3)</b>							
Industrial - Distribution	1.505	0.319	1.824	1.559	0.338	1.897	4.0%
Industrial - Transmission	0.581	0.319	0.899	0.637	0.338	0.975	8.4%
Industrial - Backbone	0.371	0.319	0.690	0.364	0.338	0.702	1.8%
Uncompressed Noncore NGV – Distribution	1.387	0.319	1.706	1.447	0.338	1.785	4.7%
Uncompressed Noncore NGV – Transmission	0.512	0.319	0.831	0.573	0.338	0.911	9.6%
Electric Generation - Distribution/Transmission	0.203	0.319	0.522	0.266	0.338	0.604	15.8%
Electric Generation - Backbone	0.043	0.319	0.362	0.036	0.338	0.375	3.5%
<b>Wholesale Transportation Only (3)</b>							
Alpine Natural Gas	0.254	0.319	0.573	0.280	0.272	0.552	-3.7%
Coalinga	0.246	0.319	0.565	0.288	0.272	0.560	-0.9%
Island Energy	0.452	0.319	0.771	0.406	0.272	0.678	-12.1%
Palo Alto	0.179	0.319	0.498	0.239	0.272	0.510	2.5%
West Coast Gas - Castle	0.847	0.319	1.166	0.740	0.272	1.011	-13.3%
West Coast Gas - Mather D	0.784	0.319	1.102	0.833	0.272	1.104	0.2%
West Coast Gas - Mather T	0.255	0.319	0.574	0.304	0.272	0.576	0.3%

**Notes:**

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**Pacific Gas and Electric Company**  
**2011 Gas Transmission & Storage Rate Case**

**Illustrative Class Average End Use Rates - Annual Firm Redwood Backbone Transmission (\$/Dth)**

	2010 Rates (1)			2011 Gas Transmission & Storage Rate Case Proposed 2011 Rates			
	End Use Rate	Annual Redwood Backbone (4)	Total 2010	End Use Rate	Annual Baja/Redwood Backbone (4)	Total 2011	% Change
<b>Core Retail Bundled Service (2)</b>							
Residential Non-CARE	13.854		13.854	14.045		14.045	1.4%
Small Commercial	11.925		11.925	12.110		12.110	1.6%
Large Commercial	9.747		9.747	9.910		9.910	1.7%
Uncompressed Core NGV	8.757		8.757	8.913		8.913	1.8%
Compressed Core NGV	17.864		17.864	17.943		17.943	0.4%
<b>Core Retail Transport Only (3)</b>							
Residential Non-CARE	5.494	0.155	5.649	5.580	0.272	5.852	3.6%
Small Commercial	3.672	0.155	3.827	3.758	0.272	4.030	5.3%
Large Commercial	1.846	0.155	2.001	1.932	0.272	2.204	10.1%
Uncompressed Core NGV	0.962	0.155	1.117	1.048	0.272	1.320	18.1%
Compressed Core NGV	10.070	0.155	10.225	10.156	0.272	10.427	2.0%
<b>Noncore Retail Transportation Only (3)</b>							
Industrial - Distribution	1.505	0.294	1.799	1.559	0.338	1.897	5.5%
Industrial - Transmission	0.581	0.294	0.875	0.637	0.338	0.975	11.5%
Industrial - Backbone	0.371	0.294	0.665	0.364	0.338	0.702	5.6%
Uncompressed Noncore NGV – Distribution	1.387	0.294	1.681	1.447	0.338	1.785	6.2%
Uncompressed Noncore NGV – Transmission	0.512	0.294	0.806	0.573	0.338	0.911	13.0%
Electric Generation - Distribution/Transmission	0.203	0.294	0.497	0.266	0.338	0.604	21.5%
Electric Generation - Backbone	0.043	0.294	0.337	0.036	0.338	0.375	11.1%
<b>Wholesale Transportation Only (3)</b>							
Alpine Natural Gas	0.254	0.155	0.409	0.280	0.272	0.552	34.8%
Coalinga	0.246	0.155	0.401	0.288	0.272	0.560	39.6%
Island Energy	0.452	0.155	0.607	0.406	0.272	0.678	11.6%
Palo Alto	0.179	0.155	0.334	0.239	0.272	0.510	52.8%
West Coast Gas - Castle	0.847	0.155	1.002	0.740	0.272	1.011	0.9%
West Coast Gas - Mather D	0.784	0.155	0.939	0.833	0.272	1.104	17.6%
West Coast Gas - Mather T	0.255	0.155	0.410	0.304	0.272	0.576	40.4%

**Notes:**

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**NOTES for Two Illustrative Rate Tables**

- (1) 2010 rates are based on PG&E's 2009 Annual Gas True-Up Filing (Advice Letter 2971-G & 2971-G-A), 2004 BCAP Decision D. 05-06-029 and the Gas Accord IV D.07-09-045. In order to isolate the effect of PG&E's rate proposals in this filing, 2010 rates do not include \$22 million in attrition as approved in PG&E's 2007 GRC Decision No. 07-03-044, Appendix A.
- (2) PG&E's bundled gas service is for core customers only. Intrastate backbone transmission costs are included end use rates paid by bundled core customers. Bundled service also includes a procurement cost for gas purchases, transportation on Canadian and Interstate pipelines, storage and core brokerage. An illustrative weighted average cost of gas (WACOG) of \$6.96, adjusted for intrastate backbone usage charges, is assumed in all present and proposed bundled core rates. Core bundled rates also include the cost of transportation and delivery of gas from the citygate to the customer's burnertip, including local transmission, distribution, customer, public purpose, and customer class charges.
- (3) PG&E's end-use transportation-only gas service is for core and noncore customers. Transportation-only service begins at PG&E's citygate and includes the applicable costs of gas transportation and delivery on PG&E's local transmission, distribution, customer access, public purpose programs and customer class charges.
- (4) For comparison purposes, backbone rates are based on the cost of annual firm backbone transportation on the Redwood and Baja paths. However, actual backbone transportation rates will vary depending on the customer's choice of backbone path, firm or as-available service and load factor.

**Pacific Gas and Electric Company**  
**2011 Gas Transmission & Storage Rate Case**  
**Revenue Requirement at 2010 and Proposed Rates**  
**Gas Accord IV 2010 Authorized Revenue vs 2011 Gas Transmission and Storage Rate Case Proposal**

Line No.	GA IV	Gas Transmission & Storage 2011				\$ Change				% Change				
		2010	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
1	Backbone Trans. w/o G-XF Contracts	\$ 233,963	227,109	241,046	254,095	258,451	\$ (6,854)	\$ 13,937	\$ 13,049	\$ 4,356	-2.9%	6.1%	5.4%	1.7%
2	G-XF Contracts	7,024	6,926	6,490	6,263	6,108	(98)	(436)	(227)	(155)	-1.4%	-6.3%	-3.5%	-2.5%
3	Subtotal Backbone Transmission (5)	240,987	234,035	247,536	260,358	264,560	(6,952)	13,501	12,822	4,201	-2.9%	5.8%	5.2%	1.6%
4	Local Transmission Base	149,576	202,784	219,494	235,078	251,829	53,208	16,711	15,583	16,752				
5	Local Transmission Adder (less 5%) (3)	14,424	-	-	-	-	(14,424)	-	-	-				
6	Subtotal Local Transmission	164,000	202,784	219,494	235,078	251,829	38,784	16,711	15,583	16,752	23.6%	8.2%	7.1%	7.1%
7	Storage (4)	51,600	87,565	89,473	91,673	93,086	35,965	1,908	2,199	1,414	69.7%	2.2%	2.5%	1.5%
8	Customer Access Charge	5,174	4,697	4,956	5,127	5,314	(477)	259	171	187	-9.2%	5.5%	3.4%	3.6%
9	Total GT&S (6)	\$ 461,761	\$ 529,081	\$ 561,460	\$ 592,236	\$ 614,789	\$ 67,320	\$ 32,379	\$ 30,775	\$ 22,553	14.6%	6.1%	5.5%	3.8%

**Notes**

- (1) 2010-2014 Core Backbone revenue responsibility assumes an average 100% load factor.
- (2) Beginning in 2011, Core proposes to decrease its seasonal baja capacity holdings and eliminate its annual Silverado capacity holdings.
- (3) The Gas Accord IV adopted 2010 local transmission rate includes a base rate component plus a rate adder for 2 of 5 of the specific local transmission capital projects designated in Section 8.4 of the Gas Accord IV Settlement Agreement.
- (4) 2010-2014 storage revenue requirements include carrying costs on noncycled working gas and cycle gas.
- (5) Backbone revenue requirements do not reflect the impact of PG&E's proposed revenue sharing mechanism.
- (6) Totals may not agree with the sum of the numbers shown due to rounding.