

From: Redacted
Sent: 10/27/2010 9:17:39 AM
To: 'Simon, Sean A.' (sean.simon@cpuc.ca.gov); 'Bawa, Niki' (niki.bawa@cpuc.ca.gov)
Cc: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)
Bcc:
Subject: Microgy Update

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Sean/Niki:

You have requested additional information about Microgy, and their failure to deliver the amount of biogas invoiced to PG&E in September. Below is a summary of this issue.

Background

Gas produced at Microgy's Huckabay Ridge site is metered upon injection to the Enterprise Texas pipeline. Microgy nominates (schedules) volumes from the Enterprise Texas pipeline to Shell's El Paso Natural Gas (EPNG) pipeline. From there, gas is delivered to Topock, where PG&E takes ownership. Microgy maintains an account tracking imbalances with Enterprise (i.e. tracking the difference between the amount it injects, and the amount it schedules to EPNG), and Enterprise maintains a similar account with EPNG.

Each month, Microgy invoices PG&E. PG&E receives several reports each month: 1) Microgy's invoice 2) a report from Microgy of injections at Enterprise and 3) a report from EPNG of deliveries at Topock. We also use an internal report from PG&E gas transmission (CGT) of deliveries at Topock.

PG&E has validated Microgy invoices against PG&E's CGT report of deliveries at Topock. Enterprise manages their imbalance account with Microgy, and does not allow excessive imbalances. Over time, Microgy's cumulative deliveries at Topock have exceeded the amount Microgy has invoiced PG&E.

September 2010

Prior to September 2010, Microgy had a positive imbalance with Enterprise, having cumulatively injected more into the Enterprise pipeline than they had nominated to EPNG. The Huckabay Ridge site did not produce gas in September. However, Microgy continued to nominate deliveries to EPNG, reducing this positive imbalance. Towards the end of September 2010, Enterprise notified Shell that that Microgy did not have a sufficient cumulative imbalance to continue to nominate, and that Enterprise would stop nominating to EPNG. Shell notified PG&E's Electric Fuels group. Electric Fuels notified PG&E's Contract Management and Settlements team.

Remedy

PG&E's Settlements team reviewed the report of Microgy's injections to Enterprise, and compared them to deliveries at Topock. PG&E determined that although the invoiced amount did not exceed deliveries at Topock, the cumulative amount invoiced exceeded the cumulative amount injected by Microgy at Huckabay Ridge. So that PG&E would only pay for actual biogas delivered, PG&E requested that Microgy reduce its invoice so that the invoiced amount reflected only the amount of injected biogas that had not been previously invoiced to PG&E. Microgy agreed and revised their invoice on the same day.

Controls

Going forward, PG&E will continue to review invoices against PG&E's CGT report, and will also review invoices against the Enterprise report of biogas injected by Microgy. This will ensure that PG&E only pays for biogas delivered at Topock that does not exceed cumulative gas injected at Huckabay Ridge.

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Regulatory Relations Manager
Pacific Gas & Electric Co.

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