

# Gas Accord V (GAV) Settlement Commission Briefing

December XX, 2010



# Gas Accord V Settlement –Key Features

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- **Reasonable revenue requirement**
  - \$95 MM in cumulative benefits to customers
  - Maintains 53% Core / 47% Non-Core cost responsibility breakdown
  - Certain large capital projects (\$201MM / 29% of capital request) blended into rates only after in-service
- **Sharing mechanism to align interests of customers and shareholders**
- **Mechanisms and funding to ensure safety and reliability**
  - Adequate to support planned pipeline integrity and safety and reliability work
  - One-way Integrity Management Balancing Account
- **Resolves issues of concern to core transport agents**
- **A single contesting party**

# Gas Accord V Settlement –San Bruno Implications

- **Sept. 15 CPUC Ruling Sought Clarification in light of the San Bruno**
- **PG&E has confirmed that the Gas Accord V Settlement provides:**
  - Sufficient funding conduct baseline integrity management and pipeline safety 2011-2014
  - 100% of original requested capital dollars for pipeline Integrity Management
  - 98% for pipeline Safety and Reliability in Settlement
  - PG&E commits to spending the full amounts for Reliability and Integrity Management
  - One-way balancing account for Integrity Management expense funds not spent
  - Funding to complete full pipeline safety inspection/ future directives to be addressed in pipeline 2020/ future proceedings.

<b>Capital</b>	<b>PG&amp;E Request (\$MM)</b>	<b>Gas Accord V Settlement (\$MM)</b>	<b>Difference (\$MM)</b>	<b>% Settled</b>
Integrity Management	\$71.0M	\$71.0M	-	100%
Safety and Reliability	\$129.2M	\$127.2M	-\$2.0M	98%
Other Operations	\$653.1M	\$499.6M	-\$153.5M	76%
<b>Total</b>	<b>\$853.3</b>	<b>\$697.8M</b>	<b>-155.5M</b>	<b>82%</b>

<b>Expense</b>	<b>PG&amp;E Request (\$MM)</b>	<b>Gas Accord V Settlement (\$MM)</b>	<b>Difference</b>	<b>% Settled</b>
Integrity Management	\$24.0M	\$22.0M	-\$2.0M	92%
Other Operations	\$96.3M	\$82.8M	-\$13.5M	86%
<b>Total</b>	<b>\$120.3M</b>	<b>\$104.8M</b>	<b>-\$15.5M</b>	<b>87%</b>

# Settlement Fully Meets Requirements for Approval

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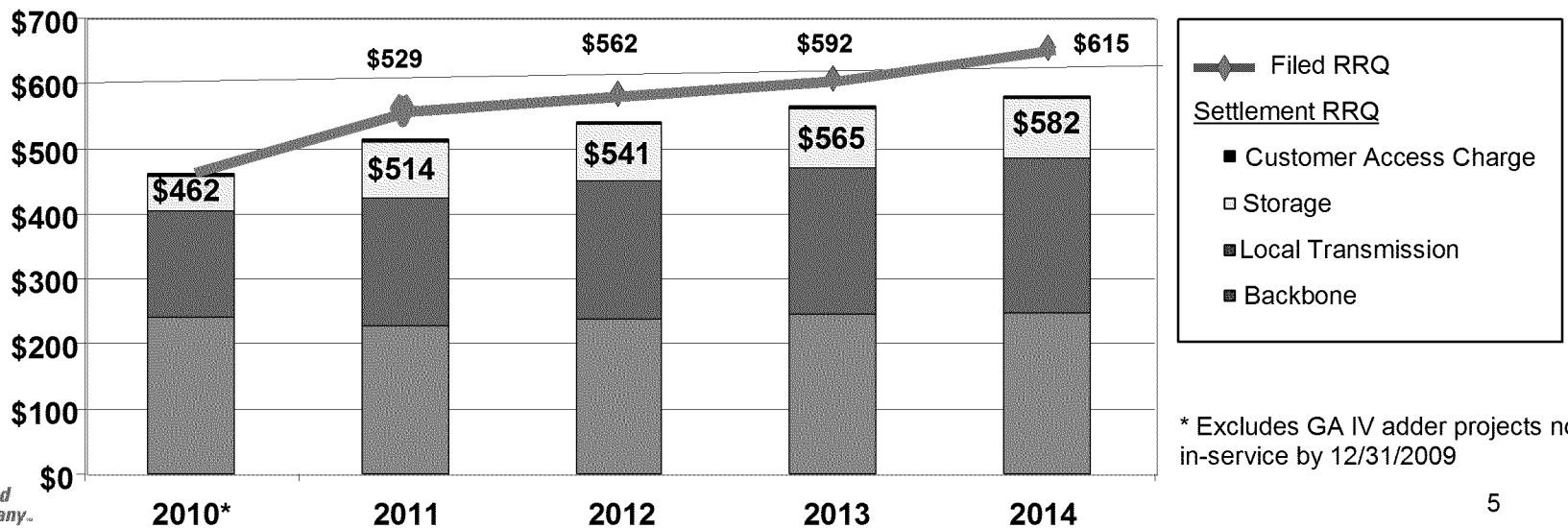
- **Serves the public interest**
  - 4-year Settlement continues stable business environment
  - Achieves a balanced outcome
  - Avoids litigation
- **Is Reasonable**
  - Built on 13 years of successful Gas Accord structure
  - Results from 11-month process of aggressive discovery and negotiation
  - Reflects the interests of 25 settling parties representing all aspects of the market.
- **Is Consistent with the Law**

# Reasonable Revenue Requirements (RRQ) and Rates

- Reasonable rate changes
- \$95 MM cumulative 4-year revenue requirement benefit for customers
- RRQ reduced if local transmission adder projects not completed w/in Settlement period

Average Rate Δs 2010-2014 (%)	Non-Core	Core
Backbone		
Local Transmission		
Storage		
Avg. Total		

**GAV Settlement vs. Filed RRQ (\$MM)**



# Gas Accord V Settlement Sharing Mechanism

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## Gas Accord Sharing Mechanism Summary\*

	Customer Share	Shareholder Share	Symmetrical
<b>Backbone</b>	50%	50%	Yes
<b>Local</b>	75%	25%	Yes
<b>Storage</b>	75%	25%	Customers share upside only

\*Note:

- Seeded with \$30 MM annual rate credit
- Annual true-up

# Core Gas Transport Agent (CTA) Issues Resolved

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- **Separate settlement to resolve CTA issues**
- **Pipeline capacity allocation**
- **Improvements to core load forecast model**
- **Operational and billing issues**

# Remaining Contested Items

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- **Minimal remaining issues raised by SoCal Gas/SDG&E only:**
  - On-system delivery right
  - Revenue sharing despite refusal to settle
  - G-XF reduction between filed and settled rates
  - Storage reporting
- **SoCalGas/SDG&E is only contesting party**