

Gas Accord V (GA 5) Settlement Commission Briefing

December XX, 2010



Gas Accord V Settlement –Key Features

- **Reasonable revenue requirements [and base rates] for 4-year term (2011-2014)**
 - \$95 MM in cumulative benefits to core and non-core customers
 - Maintains 53% core / 47% non-core cost responsibility breakdown
 - Specific large capital projects (\$201MM / 29% of capital request) blended into rates only after in-service
- **New revenue sharing mechanism to align interests of customers and shareholders**
- **Mechanisms and funding to ensure safety and reliability**
 - Supports planned pipeline integrity and safety and reliability work requested in PG&E filing
 - One-way pipeline Integrity Management Balancing Account
- **Resolves issues of concern to core transport agents**
- **Uncontested except for SoCalGas/SDG&E issues**

Gas Accord V Settlement –San Bruno Implications

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

Gas Accord V Request vs. Settlement Expenditures

Capital (in \$ MM)	PG&E Request	GA 5 Settlement	Difference	% Settled
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%
Total	\$853.3	\$697.8M	-155.5M	82%
O&M Expense (in \$ MM)	PG&E Request	GA 5 Settlement	Difference	% Settled
Integrity Management	\$24.0M	\$22.0M	-\$2.0M	92%
Other Operations*	\$96.3M	\$82.8M	-\$13.5M	86%
Total	\$120.3M	\$104.8M	-\$15.5M	87%

Settlement Fully Meets Requirements for Approval

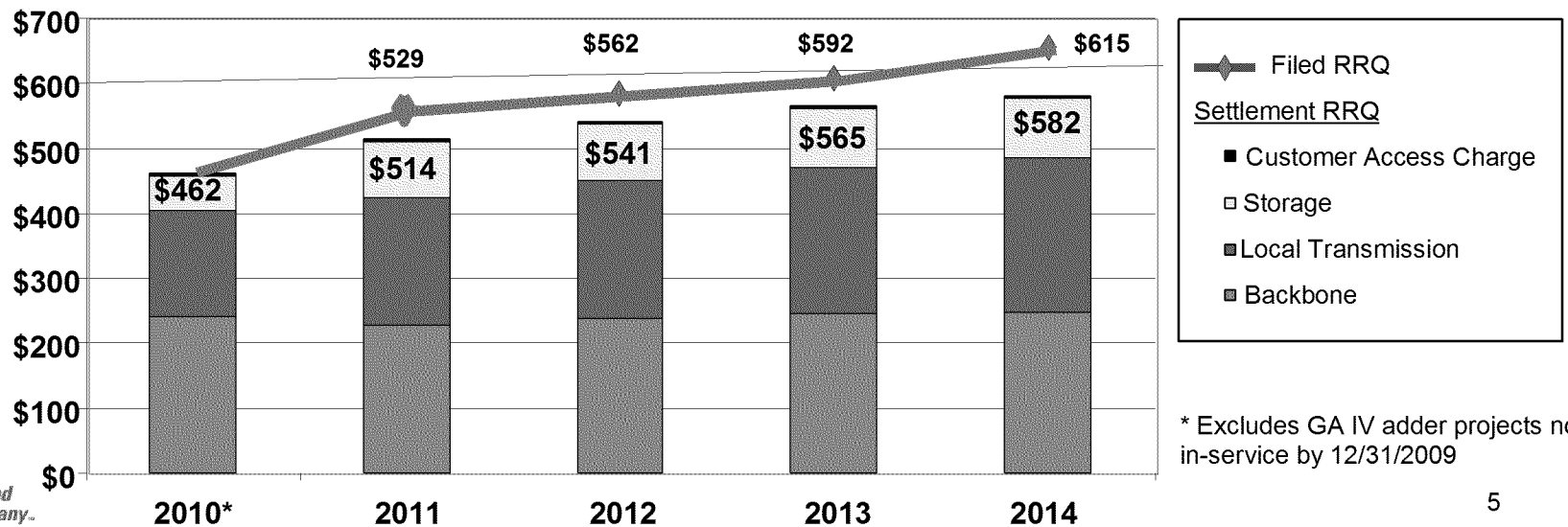
- **Serves the public interest**
 - 4-year Settlement continues stable business environment [and base rates]
 - Achieves a balanced outcome
 - Avoids litigation
- **Is Reasonable**
 - Built on 13 years of successful Gas Accord experience
 - Culmination of an 11-month process of aggressive discovery and negotiation
 - Reflects the interests of 25 settling parties representing various 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 core and non-core customers
- RRQ reduced if local transmission adder projects not in-service 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 Revenue Sharing Mechanism

Gas Accord V Revenue Sharing Mechanism Summary*

	Customer Share	Shareholder Share	Up-side and Downside Sharing?
Backbone	50%	50%	Yes
Local Transmission	75%	25%	Yes
Storage	75%	25%	Customers share upside only

***Note:**

- Seeded annually with an “up-front” \$30 MM rate credit
- Annual true-up

Core Gas Transport Agent (CTA) Issues Resolved

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

Remaining Contested Items

- **Minimal remaining issues raised by SoCal Gas/SDG&E only:**
 - Asserts contractual on-system delivery right
 - Demands revenue sharing despite refusal to settle
 - Demands G-XF reduction between filed and settled rates
 - Wants PG&E to increase storage reporting
- **Issues of shareholder vs. customer revenue responsibility raised by TURN, DRA and other settling parties if CPUC rules in favor of SoCalGas/SDG&E**