



*Pacific Gas and
Electric Company*

Jane K. Yura
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-6520

Via E-Mail

December 8, 2010

Julie Fitch
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94105

Re: Special Facilities Agreement for Gill Ranch Storage Project

Dear Ms. Fitch:

Attached is the "Agreement for Installation or Allocation of Special Facilities" (Agreement) for the Gill Ranch Storage Project. The Agreement, also commonly referred to as the Special Facilities Agreement, is being submitted to the Energy Division in compliance with Ordering Paragraph 31 of the Decision Addressing Gill Ranch Storage, LLC's and Pacific Gas and Electric Company's Applications for Authority to Construct and Operate a Gas Storage Facility (D. 09-10-035).

Ordering paragraph 31 of D. 09-10-035 states: "Applicants shall provide the Commission, in a supplemental filing to the Energy Division, a copy of the executed Special Facilities Agreement between Applicants and the Pacific Gas and Electric Company containing the final total cost of the interconnection including the cost paid by each entity." A copy of the executed Special Facilities Agreement is enclosed as Attachment 1.

As referenced on page 5 of D. 09-10-035, Gill Ranch Storage, LLC owns a 75% undivided interest in the Gill Ranch Storage Project and PG&E owns a 25% undivided interest.

The final Project cost is \$4,426,391. Based on the percentage ownership of the Gill Ranch Storage Project, Gill Ranch Storage, LLC is responsible for 75% of the final Project cost and PG&E is responsible for 25%. This amounts to \$3,319,793 and \$1,106,598 respectively.

Gill Ranch Storage, LLC is also responsible for the Income Tax Component of Contributions (ITCC) as specified in PG&E's Gas Preliminary Statement Part P – Income Tax Component of Contributions Provision for its 75% portion of the final Project cost. The ITCC tax factor applied is 0.20 (20 percent). There is no ITCC tax implication for PG&E's portion of the final Project cost. The total ITCC amount is \$663,959.

The Special Facilities Agreement reflects the final Project cost of \$4,426,391 and the ITCC amount of \$663,959, which equals a total cost of \$5,090,350.

Cost of ownership charges on the Special Facilities apply to the Gill Ranch Storage Project. The Gill Ranch Storage Project will pay these charges on a monthly basis. Per Gas Rule 2, Section C, the current monthly cost of ownership charge for transmission facilities with customer financing is 0.50% per month. The monthly ownership charge is $\$4,426,391 \times 0.50/100 = \$22,132$. Based on the percentage ownership of the Gill Ranch Storage Project, Gill Ranch Storage, LLC is responsible for 75% of the monthly cost of ownership charge and PG&E is responsible for 25%. This amounts to \$16,599 and \$5,533, respectively.

If you have any questions about this letter, please contact Redacted

Redacted

Sincerely,



Jane Yura
Vice President – Regulation and Rates

cc: Eric Chiang, Energy Division

Attachment