

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company Proposing Cost of Service and Rates
for Gas Transmission and Storage Services for
the Period 2011-2014

(U 39 G)

Application 09-09-013

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
ON PROPOSED DECISION**

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Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Pacific Gas and Electric Company (PG&E)¹ respectfully submits these reply comments responding to the opening comments submitted by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E)² on the Proposed Decision (PD) of Assigned Administrative Law Judge (ALJ) John S. Wong.

SoCalGas/SDG&E argue that the PD erred in concluding that SoCalGas does not have a contractual right to deliver gas “on-system” at the PG&E Citygate, and in declining to impose additional storage posting requirements on PG&E to which PG&E’s competitors in northern California are not subject. SoCalGas/SDG&E’s opening comments read as if their issues were given short shrift in this proceeding. To the contrary, two days of hearings were devoted *solely* to SoCalGas/SDG&E’s issues. Hundreds of pages of written testimony and concurrent opening and reply briefs were filed by the parties addressing SoCalGas/SDG&E’s issues. The Assigned ALJ carefully weighed all evidence submitted by all parties on the issues raised by SoCalGas/SDG&E, and the PD contains a reasoned analysis of that evidence.

SoCalGas/SDG&E have had their day in court. That they do not like the result is no basis for *not*

¹ Wild Goose Storage, LLC and Gill Ranch Storage, LLC support Section II of these reply comments, addressing the storage posting issue.

² SoCalGas/SDG&E were the only parties to file comments recommending that the PD not be adopted. They were also the only parties to oppose the Gas Accord V Settlement.

adopting the PD, or for allowing SoCalGas/SDG&E a second bite at the apple.

I. THE PD DID NOT ERR IN FINDING THAT SOCIALGAS DOES NOT HAVE A CONTRACTUAL RIGHT TO DELIVER GAS AT THE PG&E CITYGATE

A. The Assigned ALJ Carefully Weighed The Evidence And Determined That SoCalGas Does Not Have A Right To Deliver Gas On-System

SoCalGas/SDG&E claim that the PD errs by “ignoring” the evidence submitted by SoCalGas/SDG&E purporting to show a contractual right to deliver gas on-system — notably the 1997 Exhibit A and the 1996 Amendment to SDG&E’s Firm Transportation Service Agreement (FTSA). Even a cursory review of the PD demonstrates that the Assigned ALJ — who devoted nearly seven pages to this issue — carefully considered all of the evidence submitted by the parties, including the 1997 Exhibit A and the 1996 Amendment to the FTSA.

SoCalGas/SDG&E argue that the 1997 Exhibit A is the operative Exhibit A to the FTSA, and that PG&E made no attempt to correct the unmistakable clerical error in that exhibit. PG&E admits that the 1997 Exhibit A is the operative version of that exhibit. However, that fact alone bears no weight given that all evidence in the record suggests that the 1997 Exhibit A was a mistake in writing. In addition, the fact that PG&E had not fixed the mistake is actually further evidence of a clerical error, as neither PG&E, SDG&E nor SoCalGas realized until 2008 that the 1997 Exhibit A might appear to grant SDG&E a right to deliver gas onto PG&E’s system. At that time, SoCalGas realized the error and was attempting to capitalize on it by arguing that it should be allowed to exercise the rights reflected on the erroneous 1997 Exhibit A.³ In any event, the PD discusses at length the 1997 Exhibit A, including that it is the operative version of Exhibit A and that PG&E did not attempt to correct it, and concludes that the flexible delivery point rights that SoCalGas seeks are at odds with the fundamental economics of Gas Accord.

SoCalGas/SDG&E also claim the PD “ignores” the evidence purportedly showing that

³ Transcript, p. 1190, lines 3-15 (Graham, PG&E).

the 1996 Amendment to SDG&E's FTSA "suspended temporarily" SDG&E's alleged flexible delivery point rights, until the end of the first Gas Accord period. It is undisputed that, prior to the adoption of the first Gas Accord, PG&E's filed G-XF tariff allowed delivery point flexibility. With the adoption of the first Gas Accord, however, the economics of allowing delivery point flexibility for Expansion shippers was altered and the limitation of Expansion shippers' service to a single delivery point became a fundamental prerequisite for Gas Accord. SoCalGas/SDG&E imply that, at the end of the first Gas Accord period (2003), SDG&E "regained" flexible delivery point rights. Not so. The 1996 Amendment provided that, at the end of the Gas Accord period, SDG&E would have whatever delivery rights are afforded under Schedule G-XF. The Assigned ALJ considered the 1996 Amendment, and the G-XF Tariff as it existed in 2003, and correctly concluded that the G-XF Tariff limited each G-XF shipper to a single delivery point.

B. The Commission Should Reject SoCalGas/SDG&E's Attempt At A Second Bite At The Apple

SoCalGas/SDG&E argue that, if the Commission does not modify the PD to find in favor of a right to deliver gas at the PG&E Citygate, SoCalGas should be allowed to pursue its contract issue on a "stand-alone basis" where the merits of the evidence presented by SoCalGas are given "full consideration." SoCalGas/SDG&E's issues were hardly "brushed aside," as they now claim. The "full consideration" to the contract issue that SoCalGas seeks has already been given, because SoCalGas/SDG&E put their contractual rights squarely at issue in this proceeding in their first pleading in this case,⁴ and decided to litigate this issue in this proceeding. Now, because SoCalGas/SDG&E do not like the result of that litigation, they invite the Commission to decline to even decide this issue. The Commission should reject this blatant attempt by SoCalGas/SDG&E to have an opportunity to relitigate this issue.

⁴ In SoCalGas/SDG&E's December 2, 2009 Pre-Hearing Conference Statement, they sought to add the following to the scope of issues for this proceeding: "SoCalGas/SDG&E rights to use its capacity on the Redwood Path to deliver gas at various delivery points."

In addition, SoCalGas/SDG&E incorrectly assert that the Commission “can adopt the settlement without deciding the contracts issue.” To the contrary, the Settlement explicitly recognizes that if any off-system G-XF shippers receive on-system delivery rights during the settlement period (2011-2014), “the demand forecast and backbone rates may need to be adjusted to account for displacement of other on-system services by these G-XF shippers.”⁵ The Gas Accord V Settlement Parties deliberately left open in the Gas Accord V Settlement what adjustment to throughput and rates should be made, if any, were SoCalGas (or any other off-system G-XF shipper) to be granted an on-system delivery right. Furthermore, the Settlement would provide a re-opener regardless of whether SoCalGas were granted on-system delivery rights in this proceeding, or another “standalone” proceeding, or even in a different venue. In essence, if SoCalGas were granted on-system delivery rights in any forum during the 2011-2014 period, the Settlement Parties would engage in further negotiations regarding any adjustments to throughput and backbone rates.

The Commission should provide closure on this contentious issue by adopting the PD.

II. THE PD DID NOT ERR IN DECLINING TO IMPOSE ENHANCED STORAGE POSTING REQUIREMENTS ON PG&E

SoCalGas/SDG&E argue that the PD makes several errors in concluding that the Commission should not impose additional storage posting requirements on PG&E. First, SoCalGas/SDG&E claim that the PD erred in finding that “SoCalGas is the only provider of gas storage services in southern California.” However, SoCalGas’s witness admitted as much at hearing⁶, and the only contrary “evidence” that SoCalGas/SDG&E allude to in their comments is the filing of an application by a company for approval to construct storage facilities in southern

⁵ Gas Accord V Settlement Agreement, Section 12.1.

⁶ Transcript, p. 1053, lines 10-15; 1054, lines 11-26 (Watson, SoCalGas/SDG&E).

