Gas Accord V (GA V) Settlement Briefing for Commissioners' Staff

April 7, 2011

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Gas Accord V Settlement – Key Features

Reasonable revenue requirements and identified rate structure 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) put into rates only after in-service
- New revenue sharing mechanism to align interests of customers and ٠ shareholders
- Mechanisms and funding to ensure safety and reliability ٠
 - Supports planned pipeline integrity and safety and reliability work as requested in **PG&E** filing
 - One-way balancing account for pipeline Integrity Management expense
- **Resolves issues of concern to core transport agents** ٠
- Uncontested except for SoCalGas/SDG&E issues ٠
- New work that may be required as a result of the San Bruno investigation ۲ is not included in the Settlement

• Sept. 15 CPUC Ruling sought clarification in light of the San Bruno tragedy

Gas Accord V Settlement provides:

- 100% and 98% of original requested capital dollars for pipeline Integrity Management, and Safety and Reliability respectively
- One-way balancing account for Integrity Management O&M expense funds not spent (returned to customers)
- Sufficient funding to conduct baseline integrity management and pipeline safety 2011-2014 as requested in PG&E's application, but does not reflect the cost of complying with new CPUC directives following San Bruno incident

Capital (in \$ MM)	PG&E Request	GA V 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 V 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%	

Request vs. Settlement Expenditures

* incl. workforce diversity funding as directed by Comm. Simon

Settlement Fully Meets Requirements for Approval

Serves the public interest

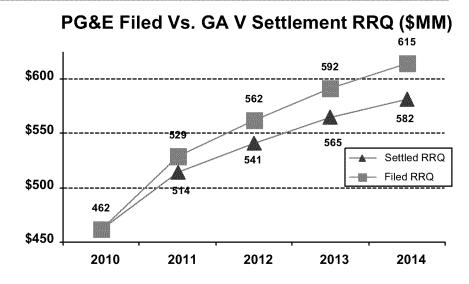
- 4-year Settlement resolves revenue requirement and rates
- Achieves a balanced outcome
- Avoids litigation

Is Reasonable

- Built on 13 years of successful Gas Accord experience
- Culmination of an 11-month process of aggressive discovery and negotiation
- Reflects the diverse interests of 25 settling parties representing various aspects of the market.
- Is Consistent with the Law

Reasonable RRQs and Identified 4-year Rate Structure

- \$95 MM cumulative 4-year revenue requirement benefit for core and non-core customers vs. filed request
- RRQ reduced if backbone and local transmission adder projects not in-service w/in Settlement period
- Identified rate structure
- 2011 rates depend on timing of approval



\$582 \$565 \$600 \$541 \$514 90 \$462 89 \$500 87 5 85 52 Customer Access Charge** \$400 Storage 239 226 212 Local Transmission 198 164 \$300 Backbone \$200 247 246 241 238 227 \$100 **\$0** 2014 2010 2011 2012 2013 5 * Excludes GA IV adder projects not in-service by 12/31/2009 ** Customer Access Charge is \$5 MM for 2010-2014

GA V Settlement RRQ by Business Line (\$MM)*

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

*Mechanism:

- Seeded annually with an "up-front" \$30 MM rate credit
- Includes Annual true-up

Core Gas Transport Agent (CTA) Issues Resolved

• Settlement reflects separate negotiations to address CTA issues

- Avoids litigation
- Garners CTA support for broader Settlement Agreement

New pipeline and storage capacity allocation process

- New rules effective April 1, 2012
- Annual election for long-term storage capacity
- Pipeline allocation elections 3 times per year vs. monthly
- Increases CTA cost responsibility for rejected capacity over 3-year transition period (April 2012 to March 2015)
- Rejected CTA capacity released to the marketplace through auction, bulletin board listing, or similar process; CTAs responsible for net costs or benefits

Improved consumer protection/CPUC oversight

- New rules to be effective April 1, 2011
- Consumer protection rules and CPUC oversight of CTAs strengthened with regard to numerous customer complaints to CPUC and PG&E regarding slamming and marketing fraud
- New rules will be developed in collaboration with CTAs and CPUC, and based upon set of agreed-upon guiding principles outlined in CTA Settlement Agreement

Process improvements and system enhancements by PG&E

- Re-tune the Core Gas Load Forecast Model by October 1, 2011
- Add new data fields to billing and payment reconciliation reports
- Provide electronic versions of monthly balancing statements/supporting reports

• Minimal remaining issues raised by SoCal Gas/SDG&E only:

- On-system delivery right for G-XF contract
- Revenue sharing with G-XF customers
- G-XF rate reduction between filed and settled rates
- Storage reporting
- Issues of shareholder vs. customer revenue responsibility are raised by TURN, DRA and other indicated settling parties, if CPUC rules in favor of SoCalGas/SDG&E