



Gas Accord History Briefing

April 7, 2011

Gas Accord Scope

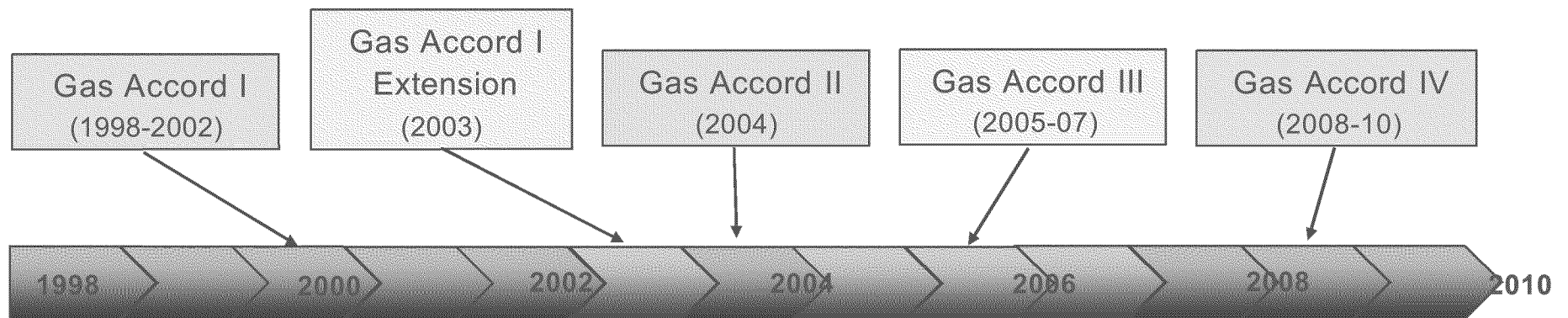


Gas Accord structure addresses more than just gas transmission and storage revenue requirement

- Terms of service (e.g. tariff provisions, balancing rules, operational flow orders)
- Rate design and differentials between rates
- Core transportation settlement/consumer protections

Background

Gas Accord History



Gas Accord I – Contested settlement

Gas Accord II – Only fully litigated GT&S rate case

Gas Accord III – *Uncontested* settlement negotiated after PG&E filed its case and other parties filed reply testimony

Gas Accord IV – *Uncontested* settlement negotiated *before* PG&E filed its case

Basic Components of the Gas Accords

Gas Accord Structure Overview

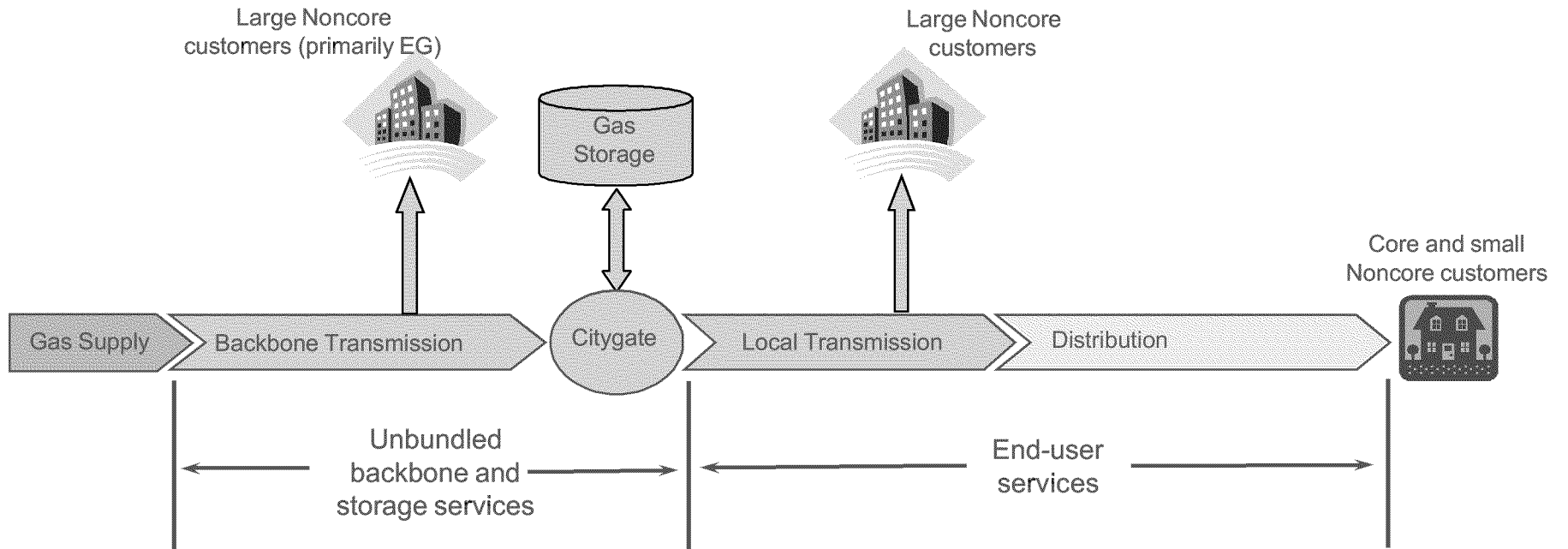
1. Backbone service
 - Unbundled from local transmission/distribution
 - Four paths
 - Redwood
 - Baja
 - Silverado
 - Mission
 - Structured like interstate pipeline service
 - Firm and as-available path-specific contracts
 - 2-part firm rates, 1-part as-available rates
 - Standard and negotiated rates
 - Secondary market
 - Rate certainty
 - All revenues at risk except reserv charges under long-term contracts
 - Citygate delivery point

Basic Components of the Gas Accords (cont)

Gas Accord Structure Overview (cont)

2. Local transmission service
 - A component of end-user service
 - Service priorities determined by Rule 14 diversion/curtailment rules
 - Not bypassable except under limited circumstances
 - Two rates: Core (100% reserv charge) and Noncore (usage charge)
 - Rate certainty
 - Noncore revenues at risk
3. Storage service
 - Storage capacity and costs allocated to: core storage service, Market Storage service, and pipeline balancing
 - Rates: Core (100% reserv charge), Market Storage (negotiated), pipeline balancing (in backbone rates)
 - Rate certainty
 - Market Storage and pipeline balancing revenues at risk

Gas Accord Market Structure/Participants



Yellow designates GT&S/Gas Accord assets

Gas Accord Cost Recovery

PG&E Gas Transmission and Storage (GT&S) has two types of customers:

- Core procurement customers (residential and small commercial)
- Non-core customers (large commercial, industrial, and energy suppliers)

PG&E recovers GT&S costs through the following rates:

1. Backbone Transmission Service:

- All revenues at risk except reservation charges under long-term contracts

2. Local Transmission Service:

- Core (100% reservation charge)
- Noncore (usage charge)
 - Non-core local transmission revenues at risk

3. Storage Services

- Core (100% reservation charge)
- Market Storage negotiated (revenues at risk)