

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

Application of Pacific Gas and Electric Company (U 39 G)
Proposing Cost of Service and Rates for Gas Transmission
and Storage Services for Period 2011-2014.

A.09-09-013
(Filed September 18, 2009)

NOTICE OF EX PARTE COMMUNICATION

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Southern California Gas Company and
San Diego Gas & Electric Company
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April 11, 2011

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NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rule 8.3(a) of the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) hereby give notice of the following *ex parte* communication.

On Wednesday, April 6, 2011, representatives of SoCalGas and SDG&E met with the following decision-makers in this proceeding:

- At approximately 12:00 p.m., Pedro Villegas, Manager of Regulatory Relations for SoCalGas and SDG&E, and Jan Van Lierop, Director of Gas Acquisition for SoCalGas, met with Carol Brown, Chief-of-staff to Commissioner President Peevey.
- At approximately 2:00 p.m., Mr. Villegas and Mr. Van Lierop met with Collette Kersten, Interim Energy Advisor to Commissioner Catherine Sandoval. Beth Musich, Director of Energy Markets and Capacity Products for SoCalGas, and Steve Watson, Capacity Products Staff Manager for SoCalGas, participated by telephone.
- At approximately 3:00 p.m., Mr. Villegas and Mr. Van Lierop met with Sepideh Khosrowjah, Interim Energy Advisor to Commissioner Mike Florio. Ms. Musich and Mr. Watson participated by telephone.
- At approximately 4:00 p.m., Mr. Villegas and Mr. Van Lierop met with Michael Colvin, Interim Energy Advisor to Commissioner Mark Ferron.

Excerpts from A.09-09-013
PG&E Gas Accord Evidentiary Hearings
Witness: Roger Graham, PG&E
(pages 1119 – 1123)

1 A Yes.

2 Q In your opinion what would initials
3 on a type of document such as this represent?

4 MS. KLEIN: Objection, your Honor.
5 Calls for speculation.

6 ALJ WONG: I will sustain the
7 objection.

8 MR. PONG: Q Mr. Graham, if a document
9 such as this is initialed, does it normally
10 mean that someone who bears those initials
11 has reviewed the document?

12 MS. KLEIN: Objection, your Honor.
13 Calls for speculation.

14 ALJ WONG: I will overrule the
15 objection.

16 THE WITNESS: As I stated in response
17 to Mr. Florio's question, I am not familiar
18 with the company's procedures for reviewing
19 this type of exhibit or this type of an
20 amendment -- exhibit to a contract back in
21 1997. I have no idea what those initials
22 could represent.

23 MR. PONG: Q I would like to direct
24 you to your rebuttal testimony. There is an
25 attachment to your rebuttal testimony,
26 Attachment 1-B. There appears to be several
27 distinct documents under Attachment 1-B.

28 I would like to direct you to -- I'm

1 sorry. I would like to direct you to
2 Attachment 1-F. If you flip past what
3 appears to be a letter from SDG&E to the
4 second document and the title of that
5 document is Amendment to the Firm
6 Transportation Service Agreement between San
7 Diego Gas & Electric Company and Pacific Gas
8 and Electric Company. Do you have that
9 document in front of you?

10 A Yes.

11 Q Thank you.

12 If you turn to line item number
13 seven of that document, would you mind
14 reading that paragraph into the record,
15 please.

16 A The entire paragraph?

17 Q Yes.

18 A [Reading:]

19 For the period beginning on the
20 first day of the negotiated period
21 and ending on the last day of the
22 negotiated period SDG&E agrees to
23 deliver all gas transported under
24 this amendment off PG&E's system
25 using the delivery points specified
26 in Exhibit A attached to the
27 original FTSA. Following the
28 negotiated period SDG&E shall have a

1 right to whatever delivery point
2 options are available, in effect,
3 CPUC approved tariffs applicable to
4 long term firm expansion service.

5 Q Thank you.

6 And the term "negotiated period" is
7 defined in number eleven as the later of five
8 years from the date or the end of the Gas
9 Accord period as approved by the CPUC, do you
10 see that?

11 A Yes.

12 Q Do you know when the end of the Gas
13 Accord period is, the Gas Accord 1 period?

14 A I believe for administration of
15 this will contract, the negotiated period ran
16 through the end of 2003.

17 Q So at the end of the negotiated
18 period, if we go back to seven, under this
19 executed contract SDG&E would have the right
20 to whatever delivery point options are
21 available in is it G-XF, PG&E Schedule G-XF?

22 A That is correct.

23 Q And in Attachment 1-E of your
24 testimony, this is what you have included as
25 Schedule G-XF pipeline expansion firm
26 interstate transportation service, the bottom
27 right of this document states that this
28 tariff is effective March 1st, 1998. Do you

1 see that?

2 A Yes.

3 Q And on the line item that says
4 Delivery Points, this states that the
5 customer may nominate only to the delivery
6 point set forth in Exhibit A to the
7 customer's FTSA, correct?

8 A Yes.

9 Q And as you stated earlier, there is
10 no -- the operative Exhibit A to SDG&E's FTSA
11 is the one that shows delivery capacities to
12 two different delivery points, correct?

13 A Correct.

14 Q To your knowledge did SDG&E ever
15 have flexible delivery rights either prior to
16 the Gas Accord 1 period -- let's start with
17 prior to the Gas Accord 1 period.

18 A Yes, I believe there was a period
19 of time where all G-XF shippers had flexible
20 delivery point rights.

21 Q And from the 1996 amendment
22 document that we were discussing earlier
23 where I had you read number seven, does it
24 appear to you that per this amendment
25 agreement that SDG&E agreed to deliver only
26 into PG&E's off system for the negotiated
27 period?

28 A Yes.

1 Q And after the negotiated period
2 expired SDG&E would no longer be bound by
3 this agreement to deliver just off system?

4 A To be clear, I think there are
5 parts of that exhibit, that agreement, that
6 continue, like the waiving of universal terms
7 of service. But that paragraph states that
8 after the negotiated period, then the
9 contract rights revert back to what is in the
10 G-XF tariff.

11 Q Page 3 of 3 of this document that
12 I'm discussing was signed by the vice
13 president from both SDG&E and for PG&E,
14 correct?

15 MS. KLEIN: Page 3 of which document?

16 MR. PONG: The amendment agreement.
17 The amendment to the firm transportation
18 service agreement.

19 THE WITNESS: Which --

20 MR. PONG: Q It is the document where
21 I had you read line item seven.

22 A Which attachment is it?

23 ALJ WONG: I believe it is Attachment
24 1-F to your rebuttal testimony.

25 THE WITNESS: Okay, I have it. SDG&E,
26 the title is vice president; and for PG&E, it
27 was the senior vice president.

28 MR. PONG: Q And the date that this

Evidentiary Hearings Exhibit 18
PG&E's Rebuttal Testimony
Chapter 1 & 2, Attachment 1 F

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 1

ATTACHMENT 1F



San Diego Gas & Electric
An Enova Company

P.O. BOX 1631 • SAN DIEGO, CA 92112-4160 • 619 / 595-2000

QFA 100.453

December 2, 1996

FILE NO.

Mr. Dan Thomas
Manager - Gas Services
Pacific Gas & Electric Company
245 Market Street
San Francisco, CA 94177

Via Fax: (415) 972-0881

Dear Dan:

SDG&E accepts PG&E's latest proposed Amendment to the Firm Transportation Service Agreement between PG&E and SDG&E. SDG&E has executed the two enclosed duplicate originals of the Amendment. Please have them both signed by the appropriate PG&E representative, and then return one of the signed Amendments for SDG&E's files.

I want to raise one point regarding the Amendment to avoid any future disagreement. Paragraph 13 of the new Amendment provides that prior to any future expansion of PG&E's Line 400/401 system, PG&E agrees to offer SDG&E the option to reduce its firm transportation by the lesser of three figures. The final figure is "if applicable, a pro rata share (with other firm Expansion Shippers) of the amount of the new expansion." It is SDG&E's understanding that:

- 1) the phrase "other firm Expansion Shippers" refers only to the Original Firm Expansion Shippers (as that term is defined in Appendix B to the March 14, 1994 Amendment) that are still obligated to PG&E under their original Expansion contracts at the time of the new Expansion (if Edison or other Original Firm Expansion Shippers have been relieved of their original Expansion obligations, such customers would not be included in the calculation of SDG&E's pro rata share); and
- 2) the volumes to be used to calculate SDG&E's pro rata share of a future Line 400/401 expansion are contractual MDQs (e.g., if other remaining Original Firm Expansion Shippers have MDQs which total 50 Mmcf/d, SDG&E's pro rata share of a new Line 400/401 expansion will be 50% of the amount of the new expansion). SDG&E believes this interpretation is consistent with our discussions and with the intent of the Amendment. Please let me know right away if PG&E's understanding regarding this Amendment provision is different than SDG&E's.

Mr. Dan Thomas

-2-

December 2, 1996

Thank you for working with us to bring these Amendment negotiations to a successful conclusion.

Sincerely,



Beth A. Bowman
Manager
Fuels & Power Supply
(619) 696-2535

BAB:jdm

Amendment to the Firm Transportation Service Agreement Between
San Diego Gas & Electric Company and Pacific Gas and Electric Company

Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) hereby agree to amend the Firm Transportation Service Agreement (FTSA) between them, dated December 31, 1991, as follows:

1. For the "Negotiated Period" as defined in Section 11, SDG&E's rate for gas transportation service under the FTSA shall be a "Negotiated Rate".
 - 1.1. **NEGOTIATED RATE:**

The "Negotiated Rate" shall be \$ 0.28 per decatherm. SDG&E shall pay PG&E each month an amount calculated as follows. SDG&E shall pay a reservation charge equal to the Negotiated Rate times the number of calendar days in the month times the Maximum Daily Quantity. There shall be no usage charge.
 - 1.2. The payment provisions of PG&E's tariffs shall apply.
 - 1.3. During the Negotiated Period, SDG&E shall have a one-time option to elect to pay the standard tariff rates applicable to Expansion deliveries to the Southern Terminus for delivery off system. If SDG&E elects to pay standard tariff rates, SDG&E shall not be able to revert to the Negotiated Rate.
2. Following the Negotiated Period, SDG&E shall pay rates and charges as specified in the CPUC-approved tariff applicable to firm Expansion service, with the exception that such rates and charges shall be no higher than a rate calculated using the methodology in effect at the time the rates and charges are calculated, with a Line 401 capital cost of \$736 million, and a utility capital structure. SDG&E shall pay rates on an SFV basis.
3. Upon a CPUC decision on the PEBA balance, the owing party shall pay all amounts due in a manner consistent with the CPUC decision. Payment of the balance shall be independent of the monthly payments calculated in Section 1.1.
4. SDG&E agrees that PG&E may transfer all or part of its ownership interest in Line 401 without SDG&E's consent and, if PG&E's successor in interest assumes all of PG&E's obligations under the FTSA, PG&E shall have no further or continuing obligations to SDG&E, its successor, or its assignees.
5. SDG&E agrees that, if PG&E or its successor in interest at any time seeks, in accordance with California Public Utilities Commission (CPUC) Resolution L-244, to transfer

Line 401 to the jurisdiction of the Federal Energy Regulatory Commission, SDG&E will neither oppose such a transfer nor claim that such a transfer violates any provision of the FTSA.

6. As consideration for PG&E's agreement to the Negotiated Rate set forth in paragraph 1, effective immediately, and for the remainder of the 30-year term of the FTSA, SDG&E irrevocably waives rights it has under the "Uniform Terms of Service" set forth in the March 14, 1994 Amendment to the FTSA, and relinquishes all claims it may have either arising under or relating in any way to rights under that provision.
7. For the period beginning on the first day of the Negotiated Period and ending on the last day of the Negotiated Period, SDG&E agrees to deliver all gas transported under this amendment off PG&E's system, using the delivery point specified in Exhibit A attached to the original FTSA. Following the Negotiated Period, SDG&E shall have a right to whatever delivery point options are available in effective CPUC-approved tariffs applicable to long-term firm Expansion service.
8. Within five calendar days of execution of this amendment by both SDG&E and PG&E, SDG&E agrees to withdraw with prejudice all opposition to PG&E's positions in all phases of the consolidated PEPR/ITCS cases; including the so-called 'statewide ITCS' issue.
9. SDG&E agrees to: (a) actively support approval by the CPUC of this amendment, without modification or condition; and (b) actively support PG&E's Gas Accord before the CPUC.
10. Within 60 days of execution of this amendment, PG&E shall file the amendment with the CPUC by advice letter.
11. The Negotiated Period shall begin on the date the CPUC approves this amendment and shall continue until the later of (a) five years from the date or (b) the end of the Gas Accord period, as approved by the CPUC.
12. As consideration for SDG&E's agreement to execute this amendment by December 2, 1996 without the limited protection of a favored-nations provision granting SDG&E the right to take possible subsequent arrangements PG&E might agree to with other firm Expansion shippers under the August 12, 1996 letter, PG&E shall pay to SDG&E the sum of \$150,000 within thirty (30) calendar days from the date this amendment is approved by the CPUC.

13. Prior to any future expansion of PG&E's Line 400/401 system, PG&E agrees to offer SDG&E the option to reduce its firm transportation commitment by the lesser of SDG&E's contract demand, the proposed amount of the new expansion, or, if applicable, a pro rata share (with other firm Expansion Shippers) of the amount of the new expansion.
14. Each provision of this amendment is agreed to by the parties as quid pro quo consideration for each of the other provisions, so that no provision of this amendment is separable from the others for any purpose. If any provision of this amend is deleted, this amendment shall be null and void and of no binding effect on any party.

For SDG&E:

By: *W. Reed*
Title: VICE PRESIDENT
Date: 12/2/96

For PG&E:

By: *J. Frank*
Title: Asst. Vice President
Date: Dec. 5, 1996

Evidentiary Hearings - Exhibit 21
SoCalGas Direct Testimony- Van Lierop
Attachment FTSA Exhibit A
Dated 11/5/97 & 11/6/97

PACIFIC GAS AND ELECTRIC COMPANY
 PIPELINE EXPANSION FIRM TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A - QUANTITIES

SHIPPER NAME: San Diego Gas & Electric TRANSP. ID NO.: 10007-00

EFFECTIVE DATE: From August 1, 2003 To See Section 4.1

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

	MAXIMUM DAILY QUANTITY (MDQ)	
	Receipts Deliveries (MMBtu/d)	(MMBtu/d)
1. At the interconnection of Pacific Gas Transmission Company's (PGT) pipeline and PG&E's Line 401 near Malin, Oregon.	52,508	N/A
2. At the Southern Terminus of the PG&E Expansion Project (currently located at Kern River Station.)	N/A	51,932
3. Into the PG&E Intrastate Distribution System in Northern California	N/A	51,932
4. Alternate Receipt Points		
Location: _____		
Location: _____		
TOTAL:	<u>52,508</u>	<u>51,932</u>

ACCEPTED AND AGREED TO:

SAN DIEGO GAS & ELECTRIC CO.

PACIFIC GAS AND ELECTRIC COMPANY

By: *Bob Lowman*

By: *David Khan*

Title: *Fuel & Power Supply Director*

Title: Manager, Products & Sales

Date: *11/5/97*

Date: *11/6/97*

*15c
SEC*

Evidentiary Hearings Exhibit 22
SoCalGas Direct Testimony- Watson
Page 6, Table 1, FERC Posting
Requirements vs. PG&E Current Postings

FERC vs. PG&E Postings

1
2
3

Table 1

FERC's Posting Requirements for NGA § 7(c) Storage Facilities vs. PG&E's Current Postings

	<u>FERC's Requirements for § 7(c) Storage Facility</u>	<u>PG&E's Current Postings / Reports</u>
1)	All firm storage service transactions showing identity of each customer, contract number, rate charged, maximum rate applicable, duration of contract, contract quantity, special terms and conditions, and affiliate relationship if any. Postings must be made no later than the first nomination under the transaction and be accessible for a period no less than 90 days from the date of posting. See 18 CFR § 284.13(b) (1).	In accordance with D.97-08-055 (Appendix B, Page 29, Item 15.f), PG&E files with CPUC the Monthly Reports of Negotiated Contracts, which include maximum contract quantities (inventory, injection, and withdrawal), start and end dates of contracts, rates charged, special terms and conditions, and affiliate relationship if any, for PG&E's G-NFS (Negotiated Firm Storage) and G-NAS (Negotiated As-Available Storage) contracts. However, PG&E does not disclose prices or volumes for many transactions—including bundled transactions and imbalance trades. Nor does it include customer names. PG&E e-mails copies of this report to interested parties, but does <u>not</u> post it on PG&E's website.
2)	All interruptible storage transactions showing identity of each customer, contract number, rate charged, maximum rate applicable, interruptible capacity, special terms and conditions, and affiliate relationship if any. The timing and duration of these postings are identical to that for Item 1 above. See 18 CFR § 284.13(b) (2).	
3)	All firm storage capacity release transactions showing identity of each customer and releasing party, contract number, rate charged, maximum rate applicable, duration of contract, contract quantity or volumetric quantity under a volumetric release, special terms and conditions, and affiliate relationship if any. The timing and duration of these postings are identical to that for Item 1 above. See 18 CFR § 284.13(b) (1).	None
4)	Index of firm storage customers showing identity of each customer, applicable rate schedule, contract number, effective and expiration dates of contract, maximum storage quantities, indication if negotiated rates, affiliate relationship if any. This posting must be made on the first business day of each calendar quarter and be available until the next quarterly index is posted. See 18 CFR § 284.13(c).	PG&E posts the quarterly "Firm Storage Holder Contact List" (as of the first day of the new quarter) showing the company (customer) name, name of the formal contact, his/her title, office location (City and State), and telephone number. Storage contract quantities, contract terms, and negotiated rate information is missing.
5)	Daily design and operating storage capacity, daily available storage capacity, whether this capacity is available from storage provider or through capacity release, and daily scheduled quantities (injections and withdrawals). See 18 CFR § 284.13(d) (1).	Actual and forecast of scheduled injections and withdrawals by PG&E, Wild Goose, Lodi, and Balancing. PG&E does not post daily design and operating storage capacity, daily available storage capacity, and whether this capacity is available from storage provider or release. All capacities should include non-cycle working gas.



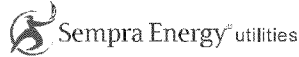
SoCalGas/SDG&E Protest of the PG&E Gas Accord Settlement

A.09-09-013
March 9, 2011



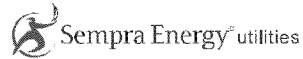
Recommended Commission Actions

1. Confirm SoCalGas' contractual delivery rights at PG&E's city-gate
2. Support market transparency: posting of storage transactions should match FERC's posting requirements
3. Include G-XF shippers in revenue sharing mechanism



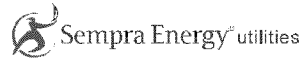
Confirm SoCalGas Delivery Rights

- Proposed Settlement fails to address SoCalGas/SDG&E's contractual right to deliver gas at the PG&E city-gate.
- SoCalGas has contractual rights to deliver up to 51,932 MMbtu/day on-system to PG&E's city-gate or off-system at Kern River Station. SoCalGas inherited this contractual right through core consolidation with SDG&E.
- Yet, PG&E currently restricts SoCalGas' delivery rights to off-system delivery at Kern River Station, preventing SoCalGas from delivering into the PG&E city-gate.
- As a result, SoCalGas/SDG&E core ratepayers receive little/no value for \$3.9 MM/yr paid to PG&E for city-gate delivery rights. PG&E restricting delivery rights transfers value from SoCalGas/SDG&E core ratepayers to PG&E shareholders.



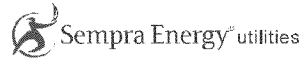
Confirm SoCalGas Delivery Rights

- PG&E argues that:
 - SDG&E has never had flexible delivery rights.
 - SDG&E contractual authority is a clerical error.
- The record clearly shows that PG&E is wrong:
 - Operative and controlling documents confirm that this is a contractual right and not a clerical error. See Exhibit A, SDG&E's Firm Transportation Service Agreement.
 - SDG&E had delivery point flexibility before the 1st Gas Accord and gave up it up only temporarily ending on 12/31/2002. See attached amendment of 11/15/1996. PG&E's witness' testimony confirmed that SDG&E indeed had flexible delivery rights. SDG&E regained flexible delivery rights after 12/31/2002.



Support Storage Market Transparency

- The Proposed Settlement fails to apply FERC posting requirements to PG&E storage transactions for the good of customers, creates an unlevel playing field.
 - Market transparency is in the public interest. Allows storage customers to more readily choose the lowest-cost storage services from interstate and intrastate service providers. Puts downward pressure on gas prices.
 - PG&E arguments against transparency are irrelevant and lack merit.
 - PG&E observations on southern CA and Central Valley Storage posting are irrelevant.
 - Southern CA storage facilities (SoCalGas/Ten Section*) meet/exceed FERC posting requirements.
 - PG&E has not demonstrated why FERC posting is a bad idea for northern CA facilities/consumers.
 - The Commission should support market transparency by applying FERC's posting requirements to PG&E's storage activities and level the regulatory playing field between northern and southern CA facilities for the good of consumers.



Include G-XF Shippers in Revenue Sharing

- Proposed Settlement arbitrarily and solely discriminates against G-XF shippers through unwarranted exclusion from revenue sharing.
 - G-XF shippers include: SoCalGas, Burbank, Glendale, Pasadena, Northern California Power Agency, Talisman, U.S. Gypsum, Devon Canada.
 - PG&E argues that original G-XF shippers revenues are “incremental”, expansion G-XF shippers should not be included in revenue sharing with all other shippers.
 - PG&E is wrong: G-XF contract revenues are shared with all other shippers to their benefit. G-XF shippers should be likewise included in revenue sharing of all shipper contract revenues. There is no credible basis to exclude G-XF shippers.