

June 8, 2012

Client-Matter: 28448-035

VIA ELECTRONIC AND U.S. MAIL

Paul Clanon
Executive Director
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

Re: Notice of Withdrawal of Application of Gas Transmission Northwest Corporation for Rehearing On Behalf of Sunstone Pipeline Company, LLC (Application 07-12-021, *Application of Pacific Gas and Electric Company for Authorization to Enter Into Long-Term Natural Gas Transportation Arrangements with Ruby Pipeline*)

Dear Mr. Clanon:

On December 5, 2008, Gas Transmission Northwest (“GTN”) filed the Application of Gas Transmission Northwest Corporation (“GTN”) for Rehearing On Behalf of Sunstone Pipeline Company, LLC (“Rehearing Request”), which requested rehearing of the California Public Utilities Commission’s (“Commission’s”) Decision D.08-11-032, *Decision Approving Gas Transportation Arrangements* (“Decision”). The Decision granted an application of Pacific Gas and Electric Company (“PG&E”) to subscribe for capacity on a pipeline developed by Ruby Pipeline LLC (“Ruby”) to transport gas from Opal, Wyoming to Malin, Oregon (“Application”).

Background and Decision

PG&E filed its Application on September 21, 2007. The Application proposed to subscribe for capacity on the Ruby pipeline, decontract PG&E’s capacity on the GTN pipeline system, and recover all costs of the capacity commitments from PG&E customers in rates. (Rehearing Request, pp. 1-2.) GTN and various other parties filed protests to the Application, and evidentiary hearings were conducted from June 24, 2008 through July 2, 2008. (Rehearing Request, p.2.) The parties submitted briefs, and the Commission heard oral arguments on October 27, 2008. (*Id.*)

On November 7, 2008, the Commission issued the Decision. The Decision acknowledged that contrary to Commission policy and precedent, PG&E did not provide an open and competitive procurement process for capacity on the Ruby pipeline—but approved the Application nonetheless. (Decision, p. 59.) It dismissed GTN’s concerns regarding costs and rate increases that would result from decontracting capacity on GTN’s system, as

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“speculative.”(Decision, p. 45.) The Decision concluded that the Application was “in the public interest” and authorized PG&E to recover all of “the costs PG&E incurs to transport gas on the Ruby Pipeline and Redwood Path.” (Decision, p. 3.)

Rehearing Request

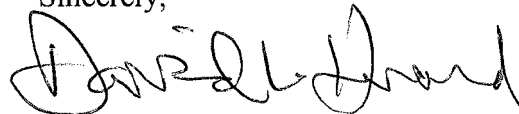
On December 5, 2008, GTN filed its Rehearing Request. Among other things, the Rehearing Request emphasized that contrary to Commission policy and precedent, the Decision requires PG&E ratepayers to bear the risk and additional costs associated with the subscription of capacity on the Ruby pipeline. (Rehearing Request, pp. 3, 4, 8.) In addition, it laid out negative fiscal and economic impacts that would result from approval of PG&E’s subscription of capacity on the Ruby pipeline. (*See, e.g.*, Rehearing Request, pp. 4, 32.)

Indeed, since December 5, 2008, the hoped-for savings to be gained by accessing Rockies supply have disappeared. Downstream capacity on the Redwood pipeline today remains fully contracted, constraining upstream capacity available on Ruby and GTN. And the Commission’s disregard of its own policies requiring open and competitive processes for sizing new projects has left open the door for future applicants to claim that the an alleged beneficial result (*e.g.*, diversified gas supply) justifies the unlawful means (*e.g.*, no open and competitive process).

Withdrawal of Rehearing Request

Unfortunately, no order on rehearing can now resolve these and other problems that have directly and indirectly resulted from the Decision. Therefore, GTN hereby withdraws its Application for Rehearing at this time.

Sincerely,



David L. Huard

cc: Tara S. Kaushik, Esq.
A.07-12-021 Service List (e-mail only)