



# Transwestern Pipeline Renewal Recommendation

## And Near Term Capacity Strategy

Core Gas Supply  
9/26/2012



## Near-Term Contract Decisions

- Contract expirations provide opportunity to shape the southwest portion of PG&E's Core capacity portfolio

| Expiring SW Contracts |                 |                |           |                      |
|-----------------------|-----------------|----------------|-----------|----------------------|
|                       | Expiration Date | MDQ (Dth/d)    | Res. Rate | Annual Cost          |
| Transwestern          | 3/31/2013       | 150,000        | 0.32      | \$ 17,520,000        |
| El Paso 9RJE          | 6/30/2013       | 66,000         | 0.32      | \$ 7,708,800         |
| El Paso 9RJG          | 6/30/2013       | 85,739         | 0.31      | \$ 9,701,368         |
| Kern River            | 6/30/2013       | 50,933         | 0.28      | \$ 5,113,375         |
| <b>Totals</b>         |                 | <b>351,772</b> |           | <b>\$ 40,043,541</b> |

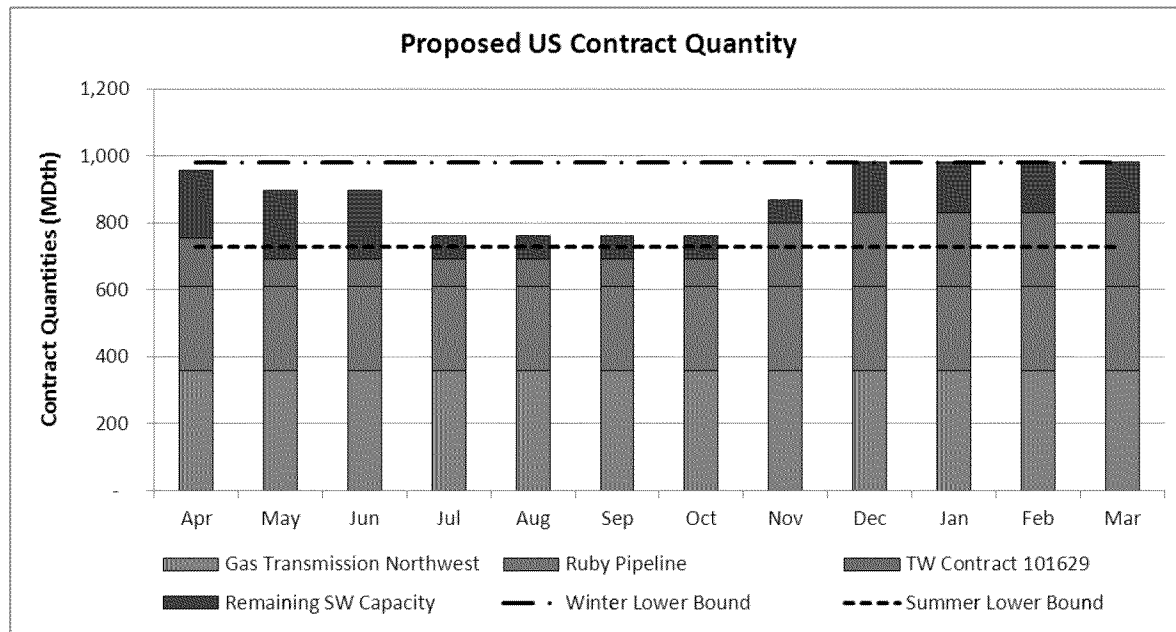
- Objective: Achieve shaped total portfolio within existing CPUC adopted capacity range for PG&E:
  - summer
  - winter minimum = 981,000 Dth/d
  - Lower the total annual avg. contract quantity while maintaining operational flexibility and reliability
  - Seek short-term contract durations (expiration by end of 2014/2015 Winter)
- Set stage for any further adjustments in conjunction with the next GT&S Rate Case



# PG&E Proposed Core Pipeline Capacity Profile April 2013 – March 2015

|  | Total Capacity with Seasonal Profile -- Mdth/d |            |            |            |            |            |            |            |            |            |            |            |            |
|--|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | April  | May        | June       | July       | Aug        | Sept       | Oct        | Nov        | Dec        | Jan        | Feb        | Mar        | Annual     |
| <i>Proposed TW Profile</i>             | 145  | 83         | 83         | 83         | 83         | 83         | 83         | 190        | 222        | 222        | 222        | 222        | 143        |
| Existing El Paso 9RJE                  | 66   | 66         | 66         |            |            |            |            |            |            |            |            |            | 66         |
| Existing El Paso 9RJG                  | 86   | 86         | 86         |            |            |            |            |            |            |            |            |            | 86         |
| Kern River                             | 51   | 51         | 51         |            |            |            |            |            |            |            |            |            | 51         |
| <i>*Proposed Remaining SW Capacity</i> |  |            |            | 70         | 70         | 70         | 70         | 70         | 150        | 150        | 150        | 150        | 106        |
| Ruby                                   | 250  | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        | 250        |
| GTN                                    | 360  | 360        | 360        | 360        | 360        | 360        | 360        | 360        | 360        | 360        | 360        | 360        | 360        |
| <b>Total Interstate Capacity</b>       | <b>958</b>                                     | <b>896</b> | <b>896</b> | <b>763</b> | <b>763</b> | <b>763</b> | <b>763</b> | <b>870</b> | <b>982</b> | <b>982</b> | <b>982</b> | <b>982</b> | <b>883</b> |

\* In Yr. 2 (2014-2015), Proposed Remaining SW Capacity quantity is 70 MDth/d in April, May & June. Total annual average in Yr. 2 = 850 MDth/d.



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## PG&E Core Transwestern Recommendation

Objective: Obtain support from DRA and TURN for TW renewal in the context of multiple capacity adjustments for contracts starting in 2013:

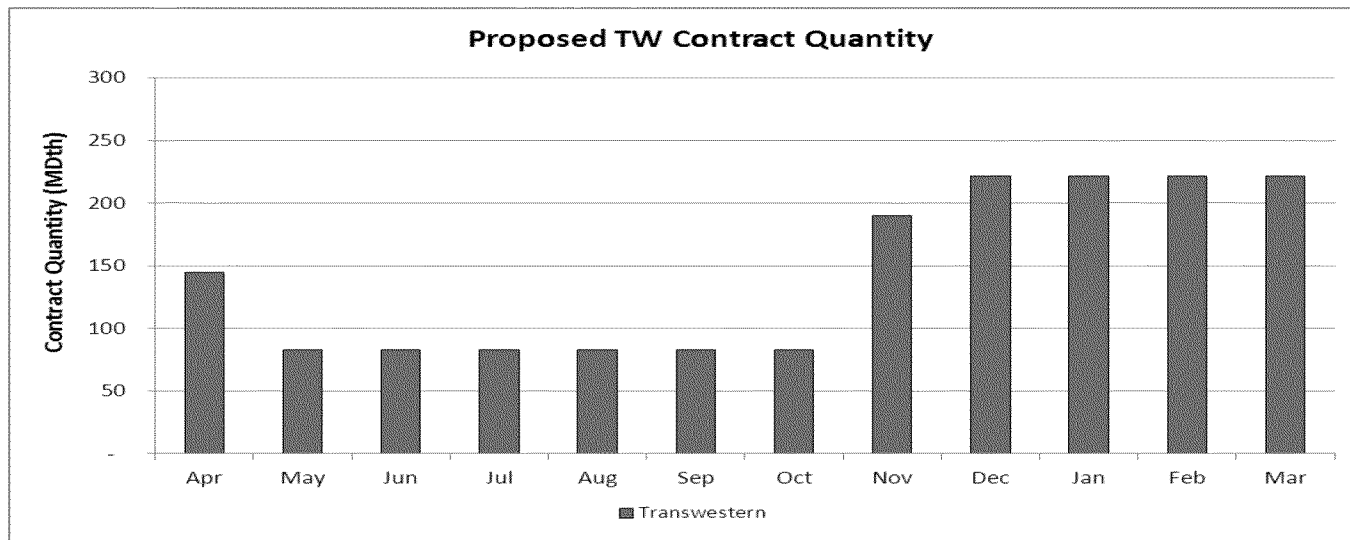
TW Shaped load profile, shown below

\$0.28/ Dth Reservation Rate

Total Reservation Cost over term = \$29 million

Term: 2 years

| Transwestern Pipeline Proposal   | Existing      | Proposed      | Resulting Savings |
|----------------------------------|---------------|---------------|-------------------|
| <i>Annual Contract Quantity</i>  | 150,000 Dth/d | 143,000 Dth/d | (7,000 Dth/d)     |
| <i>Reservation Rate (\$/Dth)</i> | 0.32          | 0.28          | -0.04             |
| <i>Annual Cost</i>               | \$17,520,000  | \$14,614,600  | (\$2,905,400)     |





## Next Steps

- Upon DRA and TURN endorsement, file TW Expedited Capacity AL
- Transwestern proceeds with Open Season for all months with contract quantities in excess of existing MDQ (150,000 Dth/d):

| TW Open Season |                         |
|----------------|-------------------------|
| <i>Dth/d</i>   | <i>Date Range</i>       |
| 40,000         | Nov. 2013, 2014         |
| 72,000         | Dec. 2013, 2014         |
| 72,000         | Jan. -- Mar. 2014, 2015 |

- Continue discussions with other US Southwest Pipelines for remaining SW capacity, beginning July 2013



## Summary of TW Proposal and SW Capacity Strategy

| Component                                    | Expiring TW  | Proposed TW   | Primary Impact of Proposed TW   | Other impacts   |
|--|--|---|---|---|
| Quantity                                     | 150 MDth/d   | 143 MDth/d avg.<br>83 summer,<br>222 winter               | Better match to core load profile                                     | Sets load shaping precedent for remaining pipeline negotiations   |
| Term   | Expires 3/31/2013  | Expires 3/31/2015   | Expires in conjunction with GT&S rate case                            | Opportunity to restructure Core's Baja capacity in GT&S rate case   |
| Reservation Rate                             | \$0.32/Dth   | \$0.28/Dth  | Customer Savings: Lowers annual TW reservation costs by \$2.9 million | Secures competitive rate for two years.   |
| CPIM Impact: Capacity Release                | Excess summer TW creates release revenues (~ \$2 MM in 2012) | Reduce summer quantities from 150 MDth/d to 83 MDth/d     | Lower capacity release revenue during summer months                   |   |
| Customer Affordability and Pipeline Strategy | Status quo – flat annual contract                            | First adjustment toward a load shaping capacity portfolio | Shaping will reduce core customer costs                               | <p>These first adjustments can be accomplished within CPUC adopted capacity range</p> <p>Sets stage for further pipeline capacity adjustments to shave excess summer capacity</p> |