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**VIA ELECTRONIC MAIL**

Bishu Chatterjee  
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Re: Meeting Agenda–December 5, 2012, 3:30pm

Dear Bishu:

As you requested, we are providing a brief agenda for today's meeting with the Core Transport Agent Consortium ("CTAC") and Shell Energy North America (US), L.P. ("Shell") at 3:30 pm. On June 4, 2012, CTAC and Shell filed related petitions to modify Decision 04-09-022 (in Rulemaking 04-01-025) and Decision 03-12-061 (in Application 01-10-011). The petition to modify Decision 04-09-022 seeks to replace the requirement set forth in Decision 04-09-022 that Pacific Gas and Electric Company ("PG&E") must hold between 962 and 1,058 MMcf/d of interstate pipeline capacity for the core with a requirement that PG&E must hold interstate capacity in an amount equal to between 100% and 120% of its forecast daily bundled core demand. The petition to modify Decision 03-12-061 seeks to add a feature to the CTA stranded cost responsibility requirement in Decision 03-12-061 that would reduce the amount of excess firm interstate pipeline capacity held by PG&E for the CTAs and allow PG&E and the CTAs to avoid the related stranded costs.

On November 16, 2012, President Peevey issued a proposed decision on the petition to modify Decision 04-09-022 that grants modification of PG&E's interstate pipeline capacity holding requirement, but not as requested in the petition for modification. The Commission modifies PG&E's winter capacity planning range on an interim basis effective January 1, 2013, by reducing the range to 900 to 1000 MMcf/d. PG&E is also required to file a new application within 6 months of the effective date of the decision on whether PG&E's core capacity planning range should be further revised. ALJ Wong also issued a proposed decision on November 16, 2012. ALJ Wong's proposed decision denies the petition for modification of Decision 03-12-061, stating that the petitioners' request for relief "would cause [the Commission] to revisit various elements of the Core Aggregation Transportation program, rather than modifying a discrete issue."

Today, CTAC and Shell wish to discuss necessary changes to the two proposed decisions. For the proposed decision on the petition for modification of Decision 04-09-022, these changes include (i) clarification that PG&E must hold firm interstate pipeline capacity exclusively for its bundled core sales load and (ii) a directive to PG&E to confirm in its upcoming application that its new core capacity planning range will apply exclusively to PG&E's core bundled sales customer load. Necessary changes to the proposed decision on the petition for modification of Decision 03-12-061 include (i) clarification of

the issue before the Commission, (ii) correction of statements regarding the consequences of the requested relief for reliability in northern California, and (iii) modification of the language in the proposed decision regarding alleged need for broad review of the entire core transport agent program as a result of considering the petition. Such changes will support the granting of the petition in its entirety.

CTAC and Shell look forward to discussing these issues in the meeting this afternoon.

Best regards,



Noelle Formosa  
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Attorneys for Core Transport Agent Consortium

CC: Service Lists for Application 01-10-011 and Rulemaking 04-01-025