

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

**CONFIDENTIAL**

June 26, 2014

Mr. Brian Cherry
Vice President, Regulatory Relations
Pacific Gas & Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Request for Pre-approval of Interstate Capacity Contract

Dear Mr. Cherry:

In a letter dated June 20, 2014, Pacific Gas and Electric Company ("PG&E") requested pre-approval by the Director of the Energy Division at the California Public Utilities Commission ("Commission") of a contract for firm interstate natural gas pipeline capacity rights on the El Paso Natural Gas Pipeline that meets the pre-approved contract criteria pursuant to Decision (D.) 04-09-022. The contract counterparty is El Paso Natural Gas ("EPNG").

The contract with EPNG is for 35,000 Dth/d on EPNG's pipeline, representing the renewal of PG&E's previous capacity contract with EPNG (approved in AL 3368-G) plus an additional 5,000 Dth/d of capacity. The capacity contract runs from July 1, 2014 to October 31, 2014. The reservation rate is \$0.23/Dth.

In D.04-09-022, the Commission delegated to the Director of the Energy Division expeditious approval authority for capacity contracts that meet certain pre-approved contract criteria, and that have turnaround times that cannot be accommodated through the 21-day expedited advice letter process. The Commission's preapproved contract criteria specify that each contract must have been approved by the Division of Ratepayers Advocate (DRA) and The Utility Reform Network (TURN); each contract term may not exceed three years; and that each contract quantity may not exceed 100 MMcf/d.

The duration and the volume of the EPNG contract meet the pre-approved contract criteria pursuant to D.04-09-022. DRA and TURN have recommended pre-approval of the proposed contract on the terms specified herein.

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EPNG has informed PG&E that the proposed contract replacement will not be subject to competitive bidding requirements. PG&E and EPNG expect to execute a Firm Transportation Service Agreement, in accordance with FERC regulations, immediately after receiving Energy Division Director approval.

Because approval cannot be accommodated under the 21-day expedited advice letter process, the proposed contract may be expeditiously approved by the Director of the Energy Division.

I am granting pre-approval to PG&E to contract with EPNG for the requested capacity at the rate and term specified above. PG&E shall submit a copy of the executed contract to appropriate Energy Division staff. Market-sensitive information in this letter is confidential pursuant to the confidentiality provisions of Public Utilities Code § 583 and General Order 66-C.

Sincerely,



Edward Randolph
Director, Energy Division

Cc: Richard Myers - Energy Division
Gurbux Kahlon - Energy Division
Franz Cheng - Energy Division
Kris Holz - Energy Division
Jonathan Bromson - Legal Division
Nat Skinner - ORA
Pearlie Sabino - ORA
Mark Pocta - ORA
Marcel Hawiger - TURN
David Clare - PG&E
John Armato - PG&E
Keith Sampson - PG&E
Erik Jacobson - PG&E