DRAFT - June 10, 2014

June xx, 2014

Richard Myers
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4<sup>th</sup> Floor
San Francisco, CA 94102

Re:

PG&E Core Interstate Pipeline Capacity Contract Quantity

Dear Richard:

By this letter, Pacific Gas and Electric Company (PG&E) affirms that Energy Division, the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN) and PG&E agree that it is appropriate to comply with PG&E's proposed May-October minimum interstate pipeline capacity quantity as proposed in Application 13-06-011, rather than acquire additional short term capacity to satisfy the Commission's interim capacity requirements.

Decision (D.) 04-09-022 established interstate pipeline capacity minimum and maximum quantities for the core gas portfolios of California utilities. However, on December 27, 2012, the Commission issued D. 12-12-006, directing PG&E to file an application to "propose a new core interstate pipeline capacity planning range or formula." In addition, the Commission established a new interim capacity planning range for the winter months for PG&E of 900 MMcfd (918 MDth/day) to 1000 MMcfd (1020 MDth/day), effective as of January 1, 2013, until a new capacity range was proposed by PG&E and approved by the Commission. The Commission left in place PG&E's then-existing summer capacity planning range.<sup>2</sup>

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 $<sup>^{1}</sup>$  D.12-12-006 at 18 (Ordering ¶ 2 & 3).

For the summer months, the lower end of the capacity planning range was set at 90% of the forecasted average demand. D. 04-09-022 at 34, 85, Findings of Fact 23.

As required by D.12-12-006, PG&E filed its Application (A.)13-06-011, on June 13, 2013. PG&E's application proposed lower contract ranges than those established by the Commission's interim decision. PG&E proposed:

- <u>April October</u>: 85%-120% of forecast average annual daily core demand (or a forecast range of 688 MDth/day 971 MDth/day at the California border for 2013-2023).
- November March: 105%-120% of forecast average annual daily core demand (or a forecast range of 850 MDth/day 971 MDth/day at the California border for 2013-2023).

PG&E's proposed ranges provide opportunities to reduce capacity costs during lower core demand periods, while recognizing the need for reliable firm capacity and supplies during higher core demand periods.

Table I

OF STATES

PG&E Core Gas Supply Interstate Pipeline Contracts				
Pipeline	Contract #	MDQ (Dth/day)	Start	End
Gas Transmission NW (GTN)  Total GTI	10524 10525 V	279,968 80,000 359,968	11/1/2009 11/1/2009	10/31/2016 10/31/2020
Ruby	6101400	250,000	11/1/2011	10/31/2026
El Paso Natural Gas	9RJE	30,000	7/1/2013	6/30/2014
Kern River	1520	10,000	7/1/2013	6/30/2014
Transwestern Avg. (MDQ Varies )  April  May to Oct  Nov  Dec to Mar	103615	145,000 83,000 190,000 222,000	4/1/2013	3/31/2015
Total Interstate Quantities at CA Bor	der (Dth/day)	Apr - June	After Ju	ly 1st:
	for May - Oct for Dec-Mar	732,968 871,968	692,9 831,9	

(capacity at border in MDth/d)

	(capacity at border in Miberly a)			
<u>Period</u>	Interim Range	PG&E Proposed Range		
May - Oct	723 to 1020	688 to 971	85 to 120%	
Dec - Mar	918 to 1020	850 to 971	105 to 120%	

		Range	Short/(exceec
Summer Interim Range		723 to 1020	30
	Proposed Range	688 to 971	-5
Winter	Interim Range	918 to 1020	86
	Proposed Range	850 to 971	18

As shown in Table I, the June 30<sup>th</sup> expiration of the El Paso Natural Gas and Kern River Gas Transmission contracts will leave PG&E short of meeting the Commission's interim summer (May-Oct.) minimum by approximately 30,000 Dth per day (723,000 - 693,000 = 30,000). However, rather than acquire short term pipeline capacity to satisfy the Commission's interim minimum, PG&E believes that a more cost effective and appropriate approach is to comply with PG&E's proposed May-October minimum in Application 13-06-011. This lower contract quantity is 688,000 Dth per day, <sup>3</sup> sufficient to

<sup>&</sup>lt;sup>3</sup> Calculated as 85% of PG&E's average daily core load at the California border, based on PG&E's total core demands published in the 2013 California Gas Report.

satisfy expected total core demands plus injection requirements, and requires no action by PG&E to acquire new pipeline capacity at this time. Therefore, PG&E recommends adherence to PG&E's minimum quantity proposed in A.13-06-011 for the July to October, 2014 period.

Furthermore, no party participating in the A.13-06-011 proceedings proposed that PG&E's new minimum capacity level for the summer (85% of annual average load or 688 MDth/day) should be higher than that proposed by PG&E. Therefore, PG&E believes that no party would be harmed by PG&E's recommendation to utilize its proposed minimum during the 2014 summer months.

PG&E discussed its recommendation with Energy Division, ORA and TURN, and all agree that PG&E should not acquire additional interstate capacity for this summer. However, if a Commission decision in PG&E's application is not issued by September 1, 2014, PG&E recommends that Energy Division, ORA, TURN, and PG&E meet again to discuss the potential winter 2014-2015 capacity shortfall.

	If you or your staff should have ar	ny questions, please do not hesitate to contact me at (415) 973-
9035,	or Redacted	

Sincerely,

Dave W. Clare Director – Core Gas Supply

cc: Franz Cheng, Energy Division
Jonathan Bromson, CPUC Legal
Kristofer Holz, Energy Division
Marcel Hawiger, The Utility Reform Network
Nathaniel Skinner, Office of Ratepayer Advocates
Pearlie Sabino, Office of Ratepayer Advocates