DRAFT – June 10, 2014

June xx, 2014

Richard Myers
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th 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."[1] 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.[2]

[1] D.12-12-006 at 18 (Ordering ¶ 2 & 3).

[2] 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:

- April – October: 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

PG&E Core Gas Supply Interstate Pipeline Contracts				
Pipeline	Contract #	MDQ (Dth/day)	Start	End
Gas Transmission NW (GTN)	10524	279,968	11/1/2009	10/31/2016
	10525	80,000	11/1/2009	10/31/2020
Total GTN		359,968		
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)	103615		4/1/2013	3/31/2015
April		145,000		
May to Oct		83,000		
Nov		190,000		
Dec to Mar		222,000		

Total Interstate Quantities at CA Border (Dth/day)	Apr - June	After July 1st:
for May - Oct	732,968	692,968
for Dec-Mar	871,968	831,968

(capacity at border in MDth/d)

Period	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%

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		Range	Short/(exceed)
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 30th 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,[3] sufficient to

[3] 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 any 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