



June 20, 2014

Mr. Edward Randolph
Director - Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

**CONFIDENTIAL – SUBMITTED UNDER THE PROVISIONS OF GENERAL
ORDER 66-C AND SECTION 583 OF THE PUBLIC UTILITIES CODE**

Re: Request for Pre-Approval of Interstate Pipeline Capacity Contract

Dear Mr. Randolph:

Pacific Gas and Electric Company (PG&E) requests your approval to enter into a four-month firm interstate pipeline capacity contract, from July 1, 2014 through October 31, 2014, to comply with the Commission's pipeline capacity planning range for PG&E, as established in Decision (D.) 04-09-022. PG&E requests that the Energy Division approve this expedited pipeline capacity approval request by June 26, 2014, in accordance with the Commission's expedited pipeline pre-approval process, described on page 25 of D. 04-09-022. For those contracts that cannot be accommodated under the time limits of the expedited advice letter process, the Commission delegated approval authority in this expedited process to the Director of the Commission's Energy Division (ED), consistent with ED's role in approving advice letters.

Acquisition of the proposed four-month interstate pipeline capacity contract meets all pre-approval criteria specified in D.04-09-022:

1. The contract length is less than 3 years (Finding of Fact (FOF) 9);
2. The contract quantity is less than the capacity limit of 100 MMcf/d (102,000 Dth/d) (FOF 9);
3. PG&E's pre-approved capacity commitment is less than 50% of its core interstate pipeline capacity portfolio (FOF 10);
4. The proposed contract cannot be accommodated under the timing of the expedited capacity advice letter procedures (FOF 13);
5. ORA and TURN were included in the agreement pre-approval process (FOF 15);
and

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6. PG&E's total core capacity quantity, with the inclusion of the proposed contract, remains within the Commission designated summer capacity planning range of between 90 percent of forecasted annual average core demand, up to 1058 MMcf/d (FOF 23 and 24)¹.

Background

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."² In addition, the Commission established a new interim capacity planning range for the winter months for PG&E of 900 MMcf/d (918 MDth/day) to 1,000 MMcf/d (1,020 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.³

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).

Until the Commission issues its decision in A.13-06-011, PG&E is required to contract within the interim pipeline range. Table I, below, shows that upon expiration of PG&E's El Paso Natural Gas contract 9RJE, and the Kern River Gas Transmission contract 1520, PG&E's total contract quantity will fall below the interim range minimum by 34,013

¹ D.12-12-006, Ordering Paragraph 2, reduced PG&E's capacity planning range for winter months on an interim basis and ordered PG&E to file an application proposing a new range. The summer range was not changed. PG&E's application for a new capacity range in A.13-06-011 was filed June 13, 2013.

² D.12-12-006, at 18 (Ordering Paragraph 2 & 3).

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.

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Dth/day. PG&E proposes to replace its expiring El Paso Natural Gas contract 9RJE (and increase its maximum daily quantity to 35,000 Dth/day), in order to comply with the interim requirement. PG&E does not propose to enter into contracts to satisfy the Commission's winter interim requirement at this time. PG&E may seek approval for additional contracts in order to satisfy the winter interim requirement, if a Commission decision in A.13-06-011 is not issued by September 30, 2014.

Table I

PG&E Core Interstate Pipeline Contracts				
Pipeline	Contract #	MDQ (Dth/d)	Start	End
Gas Transmission NW (GTN)	10524	279,968	11/1/2009	10/31/2016
	10525	80,000	11/1/2009	10/31/2020
	<i>Total GTN</i>	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 Gas Transmission				
Annual	1520	10,000	7/1/2013	6/30/2014
Dec - Mar	1846	55,000	12/1/2013	3/31/2014
<i>Total Kern River (Dec-March)</i>		65,000		
Transwestern Avg. (MDQ Varies Monthly)	103615		4/1/2013	3/31/2015
April		145,000		
May - Oct		83,000		
Nov		190,000		
Dec - Mar		222,000		
<i>Annual Avg Transwestern</i>		143,000		
Total Interstate Quantities at CA Border		Jan - June	After July 1st:	
	May - Oct	732,968	692,968	
	Nov	839,968	809,968	
	Dec-Mar	926,968	831,968	
CPUC Interim Capacity Range per D.12-06-006		Interim Range	Shortfall (from Minimum)	
	May - Oct*	726,981	(34,013)	
	Nov	726,981	None	
	Dec - Mar	918,000 to 1,020,000	(86,032)	
* PG&E's average core demand 2014 forecast = 807,757 MDth/d. Summer Range minimum calculated as 90% = 726,981				

Discussion of Recommended Contract

Redacted

Table II

Redacted

Justification for Request Under the Pre-Approval Process

Unless the proposed contract is approved and executed prior to July 1, 2014, PG&E will be out of compliance with PG&E's summer pipeline capacity planning range, as established by the Commission.

Consequently, pre-approval status for this contract is appropriate and necessary, as provided by D.04-09-022 (Conclusion of Law 4). Conclusion of Law 5 delegates authority to approve contracts that fall under the pre-approval criteria to the Director of Energy Division. The terms of the recommended contract meet the requirements necessary to utilize the pre-approval process.

⁴ The pipeline's Federal Energy Regulatory Commission (FERC) gas tariff usage and fuel rates will apply.

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Recommendation

PG&E requests Energy Division approval of the recommended contract under the pre-approval process. ORA and TURN concur that PG&E should proceed with acquiring the proposed El Paso contract with the terms shown in Table II.

Expeditious approval is necessary and justified, as envisioned by D.04-09-022. The urgency to approve this contract is predicated on the existing contracts which expire June 30, 2014, and PG&E's most recent core gas demand forecast⁵, indicating that acquisition of at least 34,000 Dth per day is necessary for PG&E to remain in compliance with the Commission's established interstate pipeline capacity summer range.

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 confer to consider the potential winter 2014-2015 capacity shortfall.

If you or your staff should have any questions, please do not hesitate to contact Erik Jacobson at (415) 973-4464, or John Armato at (415) 973-7022.

Sincerely,



Brian K. Cherry
Vice President, Regulatory Relations

cc: Richard Myers, Energy Division
Franz Cheng, Energy Division
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Jonathan Bromson, CPUC Legal
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Pearlie Sabino, Office of Ratepayer Advocates
David Clare, PG&E
John Armato, PG&E
Keith Sampson, PG&E
Erik Jacobson, PG&E

⁵ Average temperature year, base case forecast, PG&E Gas Transmission and Storage forecast run, November 7, 2013.

Attachments – Declaration of John Armato in Support of the Confidential Treatment and Matrix