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**PACIFIC GAS AND ELECTRIC COMPANY**  
**CHAPTER 19**  
**CORE GAS SUPPLY**

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TABLE OF CONTENTS

A. Introduction and Scope.....	19-1
1. Introduction .....	19-1
2. Summary of Request .....	19-1
B. Core Capacity Allocations .....	19-2
1. Intrastate Pipeline Capacity.....	19-2
a. Summary .....	19-2
b. Description of Request.....	19-2
c. Discussion of Redwood Path Capacity Request.....	19-3
d. Discussion of Annual Baja Path Capacity Request.....	19-4
e. Discussion of Seasonal Baja Path Capacity Request.....	19-6
f. Potential Need for Additional Intrastate Capacity.....	19-7
g. Cost Impacts.....	19-7
2. PG&E Firm Storage Capacity.....	19-8
a. Summary .....	19-8
b. Description of Request.....	19-8
c. Discussion of Change .....	19-9
d. Cost Impact of Change .....	19-11
3. Cost Impact of All Proposed Changes .....	19-12
C. Adjustments to 1-Day-in-10-Year Core Capacity Planning Standard .....	19-12
1. Description .....	19-12
D. Changes to the Core Procurement Incentive Mechanism .....	19-14
1. Summary.....	19-14
2. Description of Changes.....	19-14
a. Citygate Monthly Index .....	19-14

PACIFIC GAS AND ELECTRIC COMPANY  
CHAPTER 19  
CORE GAS SUPPLY

TABLE OF CONTENTS  
(CONTINUED)

b. Intrastate Capacity Changes.....	19-15
c. Future Core Procurement Incentive Mechanism Benchmark Changes .....	19-15
E. Core Aggregation Program Adjustments .....	19-16
1. Summary.....	19-16
2. Pipeline Capacity Allocation Methodology.....	19-16
3. Incremental Storage Capacity Allocation .....	19-18
F. Conclusion.....	19-19

1                                   **PACIFIC GAS AND ELECTRIC COMPANY**  
2   **CHAPTER 19**  
3   **CORE GAS SUPPLY**

4   **A. Introduction and Scope**

5       **1. Introduction**

6                   My name is David F. Elmore. I am a principal regulatory analyst in the  
7                   Core Gas Supply Department (CGS). I received a bachelor of science  
8                   degree in mechanical engineering from the University of California at Davis  
9                   in 1979. My primary responsibilities are in managing regulatory issues with  
10                  our Core Procurement Incentive Mechanism (CPIM), including working with  
11                  the CPUC on enhancements and reporting. I also monitor the Core  
12                  Aggregation Program for its impacts on CGS, as well as participate in other  
13                  pipeline rate matters, such as the Gas Transmission and Storage Rate Case  
14                  and interstate pipeline cases. I am a registered mechanical engineer in the  
15                  state of California.

16       **2. Summary of Request**

17                  This testimony requests:

- 18                  1) Changes in the capacity allocations for the core customers in PG&E's  
19                  Service Area applicable for the upcoming PG&E GT&S Rate Case  
20                  period, effective January 1, 2015. The changes include Redwood Path  
21                  and Baja Path transmission capacities, as well as withdrawal capacity  
22                  adjustments with PG&E's Core Firm Gas Storage.  
23                  2) Revisions to PG&E's 1-day-in-10-year peak day planning standard due  
24                  to the impact of the aforementioned changes in capacity holdings.  
25                  3) Changes to the CPIM.  
26                  4) Revisions to the methodology for allocating pipeline capacity between  
27                  core providers (i.e., PG&E's CGS Department and Core Transport  
28                  Agents (CTA)).

1 **E. Core Aggregation Program Adjustments**

2 **1. Summary**

3 The Decision approving the Gas Accord V Settlement (D.11-04-031)  
4 approved, among other things, the Core Transport Agent Settlement  
5 Agreement (CTA Settlement Agreement) which updated the pipeline  
6 allocation process for assigning Core intrastate pipeline, interstate pipeline,  
7 and storage capacities to CTAs. This process allocates the capacity  
8 three times a year for 4-month periods; November to February, March to  
9 June, and July to October. PG&E is requesting two modifications to this  
10 process, as described below.

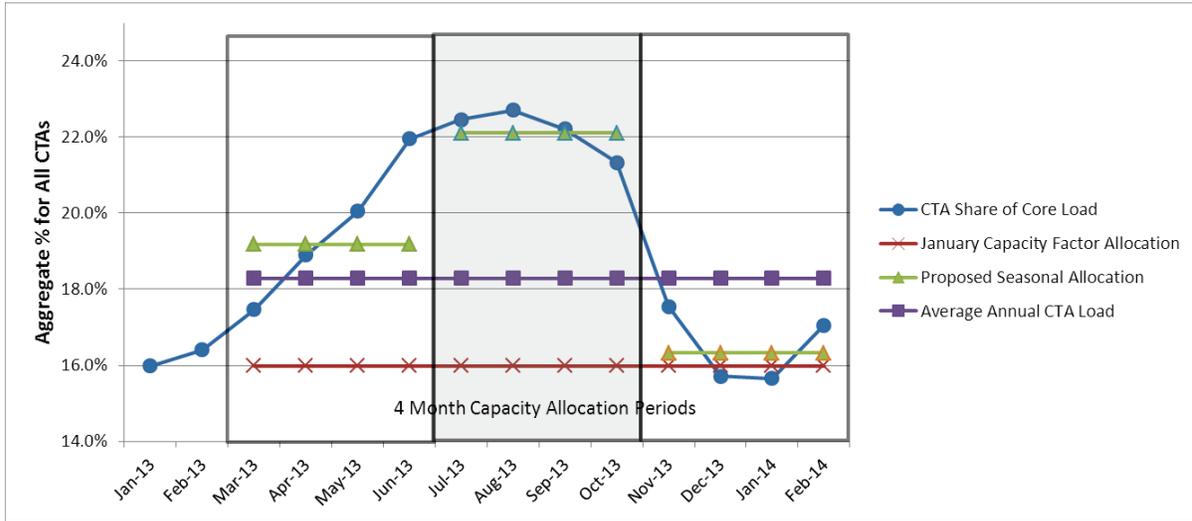
11 **2. Pipeline Capacity Allocation Methodology**

12 PG&E proposes to modify the methodology of pipeline capacity  
13 allocation to CTAs to more closely align the allocation with the respective  
14 customer loads served by CTAs during the period covered by the allocation.

15 Currently, under Schedule G-CT, PG&E determines “each Group’s  
16 January Capacity Factor, [which is] the ratio of the sum of each Customer’s  
17 historical January usage to PG&E forecasted core January throughput, as  
18 adopted in PG&E’s latest Cost Allocation Proceeding (CAP)” to allocate  
19 annual pipeline capacity to CTAs. In other words, while the January  
20 Capacity Factor represents the CTAs’ customers’ share of the total core  
21 load only for the month of January, it is used to set the CTAs’ customers’  
22 share of pipeline capacity allocations for all months.

23 Historically, the CTAs’ share of the January core load is the smallest  
24 CTA market share of any month. Figure 19-2 shows the CTA’s aggregate  
25 share of forecasted monthly load.

**FIGURE 19-2  
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CORE TRANSPORT CUSTOMER LOAD AND CAPACITY ALLOCATION**



1 Also shown in Figure 19-2 is the CTAs’ aggregate average annual load,  
 2 which equals 18.3 percent. When using only the lower January load share  
 3 of 16.0 percent to allocate capacity, the CTAs are allocated 2.3 percent less  
 4 than their average share of the capacity, and the customers receiving  
 5 bundled service from PG&E are allocated 2.3 percent more. Not only does  
 6 this approach under-allocate capacity to the CTAs that was contracted to  
 7 meet the loads of their customers, but it over-allocates capacity, and the  
 8 resulting costs, to the customers taking bundled service from PG&E.

9 To improve the methodology and more accurately align the allocation of  
 10 the pipeline capacity to customer loads for each core provider, PG&E  
 11 proposes to change from using the January Capacity Factor to using a  
 12 Seasonal Capacity Factor. The Seasonal Capacity Factor would be based  
 13 on the aggregation of the most recent historical load for customers during  
 14 the months being allocated. Specifically, the most recent aggregate  
 15 historical loads for each CTA’s customers would be added up for the  
 16 four months in the capacity offering period, and that number would be  
 17 divided by the most recent historical load of all core customers for the same  
 18 months. Thus, one allocation percentage would be used for each CTA for  
 19 each four month offering. For example: the sum of March through June  
 20 load values for each of a CTA’s customers divided by the sum of the  
 21 March through June load values for all core customers would give the share

1 of capacity to be offered that CTA for that period. After the allocation to all  
2 the CTAs, the remaining capacity share would represent the share allocable  
3 to CGS for the bundled core customers. Figure 19-2 also illustrates  
4 graphically this allocation approach.

5 Section A.1 of the CTA Settlement Agreement approved in the  
6 2011 PG&E GT&S Rate Case<sup>7</sup> prohibits changes to the CTA capacity  
7 allocation methodology prior to April 2016. Given that restriction,  
8 PG&E proposes that this modification be made effective on January 1, 2016  
9 for capacity allocations covering April 1, 2016 forward.

### 10 **3. Incremental Storage Capacity Allocation**

11 Pursuant to Decision 06-07-010,<sup>8</sup> when CTAs' load reached 10 percent  
12 of the January Capacity Factor, PG&E was directed to make a filing  
13 concerning CTAs' cost responsibility for the core customer incremental  
14 storage capacity procured by PG&E on behalf of all core customers to  
15 ensure reliable service in a 1-day-in-10-year cold peak day event. CTAs'  
16 load exceeded the 10 percent threshold in 2010, and currently is over  
17 18 percent.

18 PG&E proposes that the Commission delay the implementation of  
19 assignment (and the corresponding assumption of cost responsibility)  
20 of incremental storage capacity to CTAs until: (a) April 1, 2016 or later;<sup>9</sup>  
21 and (b) the total incremental core storage withdrawal requirement exceeds  
22 100 MDth/d. Once both of these triggers have been met, PG&E will file an  
23 advice letter to implement a core incremental storage capacity allocation  
24 mechanism.

25 PG&E proposes this delay since the allocation of incremental storage  
26 capacity to CTAs would be a complicated and untested process. There are  
27 currently over 20 core aggregators operating in PG&E's service territory.  
28 Requiring a third-party storage provider to subdivide a storage agreement

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7 D.11-04-031, "Gas Accord V Settlement" Decision, Appendix B, "CTA Settlement Agreement", dated August 20, 2010.

8 Appendix A, Partial Settlement, p. 5, Section C.2.

9 As noted above, pursuant to Section A.1 of the CTA Settlement Agreement approved in D.11-04-031, parties may not request that changes to incremental storage cost sharing protocols take effect prior to April 2016.