



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company (U39G) Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2011-2014.

Application 09-09-013
(Filed September 18, 2009)

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES

I. INTRODUCTION

In accordance with Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”) submits this protest to Pacific Gas & Electric Company’s (“PG&E”) Gas Transmission and Storage (“GT&S”) 2011 rate case application. The notice of the filing of the application appeared on the Commission’s Daily Calendar on September 25, 2009, and, therefore, DRA’s protest is timely filed. (*See* Rule 2.6(a).)

II. BACKGROUND

In Commission Decision (“D.”) 97-08-055, the Commission approved a comprehensive multi-party settlement known as the Gas Accord, which significantly changed the market structure for gas transmission and storage services in northern California. Among other things, the Gas Accord created a system of firm tradable capacity rights for transmission service. The Gas Accord was implemented in 1998 and was originally set to expire on December 31, 2002.

On September 6, 2001, the Commission issued D.01-09-016 directing PG&E to file an application within 30 days proposing a market structure, rates, and terms and conditions of service for the period following the expiration of the Gas Accord. On

October 9, 2001, PG&E filed an application proposing to extend the Gas Accord structure for a two-year period with no change in the terms of service. Under the PG&E proposal, the Gas Accord rates would not change during the two-year extension from the rates in effect December 31, 2002. DRA supported the request for a two-year extension. D.02-08-070 extended the Gas Accord for a one-year period through December 31, 2003.

In D.03-12-061, the Commission continued the general Gas Accord structure for another two years while adopting Gas Accord rates only for the year 2004. The Commission ordered PG&E to file an application to set gas transmission and storage rates for 2005. The Commission also ordered PG&E to file several rate design proposals that would provide a backbone-level rate structure for qualifying end-use customers who receive gas service directly from PG&E's backbone transmission system.

In 2004, the Commission issued D.04-12-050 approving an all-party settlement known as the Gas Accord III Settlement. The settlement extended the basic Gas Accord market structure until the end of 2007. Gas Accord III also established eligibility criteria and rates for a new backbone-level end-use service.

Gas Accord IV was an all-party settlement reached in 2008 which set the GT&S revenue requirements and rates, and implemented agreements on other issues, for the years 2008, 2009 and 2010. The settlement was reached before PG&E filed its 2008 GT&S rate case application. The Commission approved the settlement in D.07-09-045 and ordered PG&E to file its next GT&S rate case no later than February 1, 2010. PG&E filed the current application on September 18, 2009.

III. IDENTIFIED RATE CASE ISSUES

PG&E has proposed an increase in total revenue requirement for its gas transmission and storage operations for the period from 2011 to 2014. This application requests a GT&S revenue requirement of \$529.1 million for 2011, \$561.5 million for 2012, \$592.2 million for 2013, and \$614.8 million for 2014. PG&E's rate design proposals provide for certain rates to increase while others would decrease.

DRA has identified and intends to explore the following issues raised by the application. DRA reserves the right to raise additional issues that may be identified as DRA continues its examination of the application.

- PG&E's proposed revenue requirement for natural gas transmission and storage services for 2011 through 2014.
- PG&E's proposed post test year attrition adjustments for 2012 through 2014.
- The proposed rates for gas transmission and storage services for 2011, 2012, 2013, and 2014.
- PG&E's proposed sharing mechanism for GT&S revenues.
- PG&E's cost allocation and rate design proposals.
- PG&E's proposed levelized Redwood/Baja backbone rates for Core and Noncore customers that are undifferentiated by path.
- The proposed method for calculating backbone rates based upon forecast demand.
- PG&E's proposal to adjust for the differences between costs filed in this application and the costs ultimately adopted in other proceedings.
- The proposed balancing account for electricity costs incurred in operating electric compressors.
- The proposed memorandum account for GHG costs.
- The z-factor, CEMA and HSM cost recovery mechanisms.
- PG&E's proposal to extend the OFO deadline to 1:00 PM PT on the Gas Day, and PG&E's proposal for a fifth nomination cycle at 9:00 PM PT for on-system storage nominations.
- PG&E's changes to Schedule G-BAL (Gas Balancing Service for Intrastate Transportation Customers).
- PG&E's changes to Gas Rule 14 to clarify that shutoffs can be used to ensure system integrity should an Emergency Flow Order or Involuntary Diversion fail to alleviate the emergency condition.
- Core Gas Supply's proposal to reduce its seasonal Baja capacity by 100 Mdth/day for the term of this rate case.

- Continuation of current market concentration rules and the inclusion of these rules in rate Schedules G-AFT (Annual Firm Transportation, on-system) and G-NFT (Negotiated Firm Transportation, on-system).
- PG&E's proposal to increase the long-term firm contracting limit on the Redwood Path to 800 Mdth/d.
- PG&E's proposal to eliminate the on-system option for Straight Fixed Variable ("SFV") Off-system contracts.
- Compliance of the Supplemental Report on the Line 57C Project with Paragraph 4 of D.07-09-045 and the adoption of the Line 57C Project costs and rate setting.
- PG&E's O&M expenditures and forecasts.
- Need for and costs of a number of projects PG&E intends to initiate.
- Reasonableness of PG&E's analysis and application of the factors comprising PG&E's demand forecast.
- Reasonableness of PG&E's showing in cost allocation and rate design. In particular, DRA intends to closely examine PG&E's proposal to equalize rates on the Redwood and Baja paths. This proposal is a significant departure from the current methodology that develops separate rates for each path.

IV. PROCEDURAL ISSUES

DRA agrees that this proceeding is appropriately categorized as "ratesetting."

The Rate Case Plan provides for evidentiary hearings in major general rate cases, and PG&E's proposed schedule includes hearings commencing on April 19, 2010. DRA agrees that hearings will be needed to resolve the numerous issues raised by the application. However, given the availability of DRA's resources over the next 12 to 18 months,¹ DRA will require more time to prepare testimony than proposed by PG&E. DRA estimates that it may not be prepared to submit testimony until May or June 2010

¹ For example, DRA is currently preparing its testimony in PG&E's BCAP proceeding. DRA's testimony is due on October 28, 2009, and hearings are scheduled to commence on January 25, 2010.

and asks that the Commission take this factor into account in setting the schedule for this proceeding.

V. CONCLUSION

DRA respectfully recommends that this matter be set for evidentiary hearings, and that the scope of the proceeding include, but not be limited to, the issues identified in this protest. DRA also requests that the Commission adopt a procedural schedule that provides adequate time for discovery, analysis, preparation of testimony and preparation for evidentiary hearings.

Respectfully submitted,

/s/ MARION PELEO

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October 26, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES**” in **A.09-09-013** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on October 26, 2009 at San Francisco, California.

/s/ ROSCELLA GONZALEZ

Roscella Gonzalez

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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