

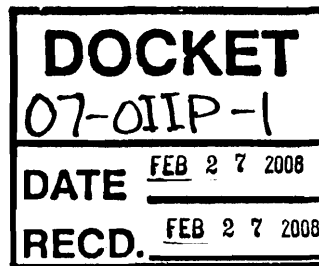
**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
AND THE CALIFORNIA ENERGY COMMISSION**

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework
and to Examine the Integration of Greenhouse Gas
Emissions Standards into Procurement Policies.

Rulemaking 06-04-009
(Filed April 13, 2006)

Energy Commission Docket 07-OIIP-01

**COMMENTS OF EL PASO NATURAL GAS COMPANY AND MOJAVE PIPELINE
COMPANY ON PROPOSED DECISION**



Craig V. Richardson, Esq.
Stephen G. Koerner, Esq.
El Paso Corporation – Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903
(719) 520-4443
Email: steve.koerner@elpaso.com

Date: February 27, 2008

COMMENTS OF EL PASO NATURAL GAS COMPANY AND MOJAVE PIPELINE COMPANY ON PROPOSED DECISION

In accordance with Rule 14.3(a) of the Commission's Rules of Practice and Procedure, El Paso Natural Gas Company (EPNG) and Mojave Pipeline Company (Mojave) submit their joint comments on the "Interim Opinion on Greenhouse Gas Regulatory Strategies" issued by President Peevey on February 8, 2008 (Proposed Decision).

Introduction and Background

The EPNG and Mojave pipeline systems provide over 30% of the natural gas consumed in California.¹ The two companies are subsidiaries of El Paso Corporation (collectively, "El Paso"), which is organized around two core businesses—pipelines and exploration and production. El Paso's pipeline group operates a network of nearly 43,000 miles of pipeline, comprising over 20% of the interstate gas pipeline infrastructure in the country. El Paso has operations in over thirty (30) states and several federal jurisdictions.

El Paso currently helps satisfy, and will continue to help meet, California's growing demand for clean-burning natural gas through its extensive network of natural gas pipelines and future natural gas projects. As a Climate Action Leader™ and member of the California Climate Action Registry (CCAR), El Paso has been in the forefront of efforts to address the concerns being expressed by public and governmental stakeholders over the issue of GHGs. El Paso has been an active participant in the development of California regulations related to GHG emissions and has commented extensively in the CPUC and CEC processes, including prior comments in this proceeding on a number of issues. El Paso is also active in the Western Climate Initiative (WCI) process.

¹ EPNG and Mojave are interstate pipelines subject to federal rather than state utility commission jurisdiction. However, we will continue to cooperate with state agencies such as the Commission as appropriate.

Comments

El Paso supports the Proposed Decision as it relates to the Section 4, “GHG Policies for the Natural Gas Sector”. In summary, that portion of the Proposed Decision recommends that, for the natural gas sector, the Air Resources Board (ARB) “rely on programmatic measures to achieve emission reductions and not include the natural gas sector in a multi-sector GHG emissions cap-and-trade system at this time.”² This conclusion is appropriate and well reasoned. The Commission should adopt the Proposed Decision, as it will provide a sound basis for future regulation of emissions from natural gas consumption.

As we have consistently stated:

1. El Paso supports a “hybrid” economy wide cap-and-trade greenhouse gas regulatory structure through a combination of cap-and-trade structure for large CO₂ emitters (i.e. a downstream, point of emission design), offset programs for fugitive emissions and through policies and measures to encourage end use energy efficiency in the other segments of the natural gas value chain. The “natural gas sector” includes several different sectors of the economy with very different physical, economic, and regulatory characteristics. Any regulatory mechanism adopted for the natural gas sector that is based on an “upstream” design, aims to employ fuel consumption in the economy as a proxy for emissions. This is theoretically the economic equivalent of requiring allowance retirement at the point of emission, but may not be exactly the same in practice as direct regulation of the emissions at the emitting sources. Under this design, the expectations for reductions are highly dependent on the effective transmittal of the compliance price signals experienced by the select few upstream entities through the economy. This is a flawed theory due to inadequate transmittal of price signal, coverage, fairness, integrity

² Proposed Decision, Interim Order ¶9.

and administrative issues. All this could potentially lead to higher natural gas prices to the different sectors in the natural gas value chain without any clear tangible environmental benefit. In addition, any effort to make interstate gas pipelines the point of regulation under an “upstream” design would raise significant legal and regulatory issues the resolution of which – at best – would likely substantially delay the implementation of any GHG regulatory program by California.

2. While El Paso supports a “hybrid” structure, we believe that regulation of GHG emissions should be preceded by a period of careful measurement of emission baselines and include only those sources into the cap-and-trade program which have low emissions uncertainties. Most fugitive emissions and many process emissions cannot be measured with sufficient accuracy. Thus, inclusion of such sources could negatively impact the integrity of the cap-and-trade program.

The Proposed Decision is fully consistent with both of these positions.³ El Paso strongly supports the Proposed Decision and recommends that it be adopted by the Commission. We believe that adoption of the Proposed Decision will contribute to a highly efficient and cost-effective approach to GHG reductions in California.

Conclusion

EPNG and Mojave support the Commission’s and the California Energy Commission’s efforts to develop recommendations to present to the ARB as it implements AB 32. We believe that any ultimate GHG regulatory scheme must incorporate the above key principles as implicitly recognized in the Proposed Decision.

³ See, in particular, Proposed Decision, Findings of Fact Nos. 34-37.

Respectfully submitted,

By /s/
Craig V. Richardson, Esq.
Stephen G. Koerner, Esq.
El Paso Corporation – Western Pipelines
2 North Nevada Ave.
Colorado Springs, CO 80903
(719) 520-4443

**Counsel for El Paso Natural Gas Company and
Mojave Pipeline Company**

Dated: February 27, 2008



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
AND THE CALIFORNIA ENERGY COMMISSION**

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework
and to Examine the Integration of Greenhouse Gas
Emissions Standards into Procurement Policies

Rulemaking 06-04-009
(Filed April 13, 2006)

Energy Commission Docket 07-OIIP-01

**PROOF OF SERVICE FOR
COMMENTS OF EL PASO NATURAL GAS COMPANY AND
MOJAVE PIPELINE COMPANY ON PROPOSED DECISION**

On February 27, 2008, I caused to be served a true copy of:

**COMMENTS OF EL PASO NATURAL GAS COMPANY AND
MOJAVE PIPELINE COMPANY ON PROPOSED DECISION**

to be served by electronic service to all parties identified on the Service List for R. 06-04-009 (Exhibit A attached). Any party without an e-mail address was served by U.S. Mail (Exhibit B attached). Additionally, the Commissioner and the assigned ALJs for R. 06-04-009 were served hard copies by U.S. Mail. I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed in Colorado Springs, Colorado on February 27, 2008.

/s/

Stacie S. Gonzalez

Exhibit A to Proof of Service for "COMMENTS OF EL PASO NATURAL GAS COMPANY
AND MOJAVE PIPELINE COMPANY ON PROPOSED DECISION" Docket R.06-04-009

abb@eslawfirm.com
abonds@thelen.com
achang@nrdc.org
adamb@greenlining.org
aeg@cpuc.ca.gov
agc@cpuc.ca.gov
agrimaldi@mckennalong.com
ahendrickson@commerceenergy.com
aimee.barnes@ecosecurities.com
ajkatz@mwe.com
akbar.jazayeri@sce.com
akelly@climatetrust.org
alan.comnes@nrgenergy.com
aldyn.hoekstra@paceglobal.com
alex.kang@itron.com
alho@pge.com
amber@ethree.com
andrew.bradford@constellation.com
andrew.mcallister@energycenter.org
andy.vanhorn@vhcenergy.com
anita.hart@swgas.com
annabelle.malins@fco.gov.uk
apak@sempraglobal.com
arno@recurrentenergy.com
atrial@sempra.com
atrowbridge@daycartermurphy.com
Audra.Hartmann@Dynergy.com
aweller@sel.com
ayk@cpuc.ca.gov
bbaker@summitblue.com
bbc@cpuc.ca.gov
bbeebe@smud.org
bblevins@energy.state.ca.us
bcragg@goodinmacbride.com
bdicapo@caiso.com
bernardo@braunlegal.com
beth@beth411.com
Betty.Seto@kema.com
bill.chen@constellation.com
bill.schrand@swgas.com
bjeider@ci.burbank.ca.us
bjl@bry.com

bjones@mjbradley.com
bkc7@pge.com
blm@cpuc.ca.gov
bmcc@mccarthyllaw.com
bmcquown@reliant.com
Bob.lucas@calobby.com
bpotts@foley.com
bpurewal@water.ca.gov
brabe@umich.edu
brbarkovich@earthlink.net
brbc@pge.com
brenda.lemay@horizonwind.com
burtraw@rff.org
bushinskyj@pewclimate.org
bwallerstein@aqmd.gov
bwetstone@hotmail.com
C_Marnay@lbl.gov
cadams@covantaenergy.com
californiadockets@pacificorp.com
carla.peterman@gmail.com
carter@ieta.org
case.admin@sce.com
cathy.karlstad@sce.com
cbaskette@enernoc.com
cbreidenich@yahoo.com
cchen@ucsusa.org
cem@newsdata.com
cfl@cpuc.ca.gov
cft@cpuc.ca.gov
charlie.blair@delta-ee.com
chilen@sppc.com
cjw5@pge.com
ckmitchell1@sbcglobal.net
ckrupka@mwe.com
clarence.binninger@doj.ca.gov
clark.bernier@rlw.com
clyde.murley@comcast.net
cmkehrein@ems-ca.com
colin.petheram@att.com
cpe@cpuc.ca.gov
cpechman@powereconomics.com
cswoollums@midamerican.com

curt.barry@iwpnews.com
 curtis.kebler@gs.com
 cweddington@commerceenergy.com
 Cynthia.A.Fonner@constellation.com
 cynthia.schultz@pacificorp.com
 daking@sempra.com
 Dan.adler@calcef.org
 danskopec@gmail.com
 dansvec@hdo.net
 dave@ppallc.com
 david.zonana@doj.ca.gov
 david@branchcomb.com
 david@nemtzw.com
 davidreynolds@ncpa.com
 dbrooks@nevp.com
 deborah.slone@doj.ca.gov
 dehling@klng.com
 derek@climaterestory.org
 dhecht@sempratrading.com
 dhuard@manatt.com
 Diane_Fellman@fpl.com
 dietrichlaw2@earthlink.net
 dil@cpuc.ca.gov
 dkk@eslawfirm.com
 dks@cpuc.ca.gov
 dmacmull@water.ca.gov
 dmetz@energy.state.ca.us
 dniehaus@semprautilities.com
 douglass@energyattorney.com
 dseperas@calpine.com
 dsh@cpuc.ca.gov
 dsoyars@sppc.com
 dtibbs@aes4u.com
 dwang@nrdc.org
 dwood8@cox.net
 dws@r-c-s-inc.com
 echiang@elementmarkets.com
 edm@cpuc.ca.gov
 edwardoneill@dwt.com
 egw@a-klaw.com
 ehadley@reupower.com
 ej_wright@oxy.com
 ek@a-klaw.com
 ekgrubaug@iid.com
 eks@cpuc.ca.gov
 ELL5@pge.com

elvine@lbl.gov
 emahlon@ecoact.org
 emello@sppc.com
 epoole@adplaw.com
 e-recipient@caiso.com
 etiedemann@kmtg.com
 ewolfe@resero.com
 ez@pointcarbon.com
 farrokh.albuyeh@oati.net
 fiji.george@elpaso.com
 filings@a-klaw.com
 fjs@cpuc.ca.gov
 fstern@summitblue.com
 fwmonier@tid.org
 gbarch@knowledgeinenergy.com
 gblue@enxco.com
 gcollord@arb.ca.gov
 george.hopley@barcap.com
 ghinners@reliant.com
 GloriaB@anzaelectric.org
 glw@eslawfirm.com
 gmorris@emf.net
 gpickering@navigantconsulting.com
 gregory.koiser@constellation.com
 grosenblum@caiso.com
 gsmith@adamsbroadwell.com
 GXL2@pge.com
 harveyederpspc.org@hotmail.com
 hayley@turn.org
 hcronin@water.ca.gov
 hgolub@nixonpeabody.com
 hoerner@redefiningprogress.org
 hurlock@water.ca.gov
 HYao@SempraUtilities.com
 hym@cpuc.ca.gov
 info@calseia.org
 Jairam.gopal@sce.com
 james.keating@bp.com
 janill.richards@doj.ca.gov
 jarmstrong@goodinmacbride.com
 jason.dubchak@niskags.com
 jbf@cpuc.ca.gov
 jbw@slwplc.com
 jchamberlin@strategicenergy.com
 jci@cpuc.ca.gov
 JDF1@PGE.COM

jdh@eslawfirm.com
jdoll@arb.ca.gov
jeanne.sole@sfgov.org
jeffgray@dwt.com
jen@cnt.org
jenine.schenk@apses.com
jennifer.porter@energycenter.org
JerryL@abag.ca.gov
jesus.arredondo@nrgenergy.com
jf2@cpuc.ca.gov
jgill@caiso.com
jgreco@terra-genpower.com
jhahn@covantaenergy.com
jholtkamp@hollandhart.com
jimross@r-c-s-inc.com
jj.prucnal@swgas.com
jjensen@kirkwood.com
jkl@cpuc.ca.gov
jkarp@winston.com
jkloberdanz@semprautilities.com
jlaun@apogee.net
jleslie@luce.com
jluckhardt@downeybrand.com
jm3@cpuc.ca.gov
jnm@cpuc.ca.gov
jody_london_consulting@earthlink.net
Joe.paul@dynegy.com
john.hughes@sce.com
johnredding@earthlink.net
jol@cpuc.ca.gov
josephhenri@hotmail.com
joyw@mid.org
jsanders@caiso.com
jscancarelli@flk.com
jsqueri@gmssr.com
jst@cpuc.ca.gov
jtp@cpuc.ca.gov
julie.martin@bp.com
jwiedman@goodinmacbride.com
jwmctarnaghan@duanemorris.com
jwmctarnaghan@duanemorris.com
jxa2@pge.com
karen@klindh.com
karla.dailey@cityofpaloalto.org
Kathryn.Wig@nrgenergy.com
kbowen@winston.com

kcolburn@symbioticstrategies.com
kdusel@navigantconsulting.com
kdw@woodruff-expert-services.com
keith.mccrea@sablau.com
kellie.smith@sen.ca.gov
kelly.barr@srpnet.com
ken.alex@doj.ca.gov
ken.alex@doj.ca.gov
kenneth.swain@navigantconsulting.com
kerry.hatlevik@mirant.com
kevin.boudreaux@calpine.com
kfox@wsgr.com
kgough@calpine.com
kgrenfell@nrdc.org
kgriffin@energy.state.ca.us
kjinovation@earthlink.net
kjsimonsen@ems-ca.com
kkhoja@thelenreid.com
klatt@energyattorney.com
kmills@cbbf.com
kmkiener@fox.net
kowalewskia@calpine.com
krd@cpuc.ca.gov
kyle.l.davis@pacificcorp.com
kyle.silon@ecosecurities.com
kyle_boudreaux@fpl.com
lars@resource-solutions.org
Laura.Genao@sce.com
lcottle@winston.com
ldecarlo@energy.state.ca.us
leilani.johnson@ladwp.com
liddell@energyattorney.com
lisa.c.schwartz@state.or.us
lisa_weinzimer@platts.com
llorenz@semprautilities.com
llund@commerceenergy.com
lmh@eslawfirm.com
Lorraine.Paskett@ladwp.com
lpark@navigantconsulting.com
lrdevanna-rf@cleanenergysystems.com
lrm@cpuc.ca.gov
lschavrien@semprautilities.com
ltenhope@energy.state.ca.us
litt@cpuc.ca.gov
marcel@turn.org
marcie.milner@shell.com

mary.lynch@constellation.com
mclaughlin@braunlegal.com
mday@goodinmacbride.com
mdjoseph@adamsbroadwell.com
mflorio@turn.org
mgarcia@arb.ca.gov
mgillette@enernoc.com
mhyams@sfwater.org
Mike@alpinenaturalgas.com
mjd@cpuc.ca.gov
mmattes@nossaman.com
mmazur@3phasesRenewables.com
mona@landsiteinc.net
monica.schwebs@bingham.com
mpa@a-klaw.com
mpryor@energy.state.ca.us
mrw@mrwassoc.com
mscheibl@arb.ca.gov
mwaugh@arb.ca.gov
nenbar@energy-insights.com
ner@cpuc.ca.gov
nes@a-klaw.com
nlenssen@energy-insights.com
norman.furuta@navy.mil
notice@psrec.coop
npedersen@hanmor.com
nsuetake@turn.org
ntronaas@energy.state.ca.us
nwhang@manatt.com
obartho@smud.org
obystrom@cera.com
ofoote@hkcf-law.com
pbarthol@energy.state.ca.us
pburmich@arb.ca.gov
pduvair@energy.state.ca.us
pepper@cleanpowermarkets.com
phanschen@mofo.com
Philip.H.Carver@state.or.us
philm@scdenergy.com
pjazayeri@stroock.com
ppettingill@caiso.com
psp@cpuc.ca.gov
pssed@adelphia.net
pstoner@lgc.org
pthompson@summitblue.com
pvallen@thelen.com

pw1@cpuc.ca.gov
pzs@cpuc.ca.gov
rachel@ceert.org
ralph.dennis@constellation.com
ram@cpuc.ca.gov
randy.howard@ladwp.com
randy.sable@swgas.com
rapcowart@aol.com
ray.welch@navigantconsulting.com
rhelgeson@scppa.org
RHHJ@pge.com
rhwisser@lbl.gov
richards@mid.org
rick_noger@praxair.com
rita@ritanortonconsulting.com
rkeen@manatt.com
rkmoore@gswater.com
rmccann@umich.edu
rmiller@energy.state.ca.us
rmm@cpuc.ca.gov
rmorillo@ci.burbank.ca.us
robert.pettinato@ladwp.com
Robert.Rozanski@ladwp.com
roger.montgomery@swgas.com
rogerv@mid.org
ron.deaton@ladwp.com
rprince@semprautilities.com
rreinhard@mofo.com
rrtaylor@srpnet.com
rsa@a-klaw.com
rschmidt@bartlewells.com
rsmutny-jones@caiso.com
rwinthrop@pilotpowergroup.com
ryan.flynn@pacificorp.com
S1L7@pge.com
saeed.farrokhpay@ferc.gov
samuel.r.sadler@state.or.us
sandra.carolina@swgas.com
Sandra.ely@state.nm.us
sas@a-klaw.com
sasteriadis@apx.com
sbeatty@cwclaw.com
sberlin@mccarthyllaw.com
sbeserra@sbcglobal.net
scarter@nrdc.org
schohn@smud.org

scott.tomashefsky@ncpa.com
scottanders@sandiego.edu
scr@cpuc.ca.gov
sdhilton@stoel.com
SEHC@pge.com
sellis@fypower.org
sendo@ci.pasadena.ca.us
sephra.ninow@energycenter.org
sgm@cpuc.ca.gov
slins@ci.glendale.ca.us
sls@a-klaw.com
smichel@westernresources.org
smindel@knowledgeinenergy.com
smk@cpuc.ca.gov
snewsom@semprautilities.com
spauker@wsgr.com
sscb@pge.com
ssmyers@att.net
steve.koerner@el Paso.com
steve@schiller.com
stevek@kromer.com
steven.huhman@morganstanley.com
steven.schleimer@barclayscapital.com
steven@iepa.com
steven@lipmanconsulting.com
steven@moss.net
svn@cpuc.ca.gov
svongdeuane@semprasolutions.com
svs6@pge.com
tam@cpuc.ca.gov
tburke@sfwater.org

tcarlson@reliant.com
tcx@cpuc.ca.gov
tdarton@pilotpowergroup.com
tdillard@sppc.com
THAMILTON5@CHARTER.NET
thunt@cecmail.org
tiffany.rau@bp.com
tim.hemig@nrgenergy.com
todil@mckennalong.com
Tom.Elgie@powerex.com
tomb@crossborderenergy.com
tomk@mid.org
trdill@westernhubs.com
troberts@sempra.com
UHelman@caiso.com
vb@pointcarbon.com
vitaly.lee@aes.com
vjw3@pge.com
vprabhakaran@goodinmacbride.com
vwelch@environmentaldefense.org
wbooth@booth-law.com
westgas@aol.com
william.tomlinson@el Paso.com
wsm@cpuc.ca.gov
wtasat@arb.ca.gov
www@eslawfirm.com
wynne@braunlegal.com
ygross@sempraglobal.com
zaiontj@bp.com
'docket@energy.state.ca.us'

Exhibit B to Proof of Service for "COMMENTS OF EL PASO NATURAL GAS COMPANY
AND MOJAVE PIPELINE COMPANY ON PROPOSED DECISION" Docket R.06-04-009

Michael R. Peevey, Commissioner
Attn: Nancy Ryan, Advisor
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3214

Amy C. Yip-Kikugawa
California Public Utilities Commission
Division of Administrative Law Judges
Room 2106
505 Van Ness Avenue
San Francisco, CA 94102-3214

Charlotte F. TerkKeurst
California Public Utilities Commission
Division of Administrative Law Judges
Room 2106
505 Van Ness Avenue
San Francisco, CA 94102-3214

Jonathan Lakritz
California Public Utilities Commission
Division of Administrative Law Judges
Room 2106
505 Van Ness Avenue
San Francisco, CA 94102-3214

Downey Brand
Sacramento Municipal
555 Capitol Mall, 10th Floor
Sacramento, CA 95814-4686

Matthew Most
Edison Mission Marketing &
Trading, Inc.
160 Federal Street
Boston, MA 02110-1776

Thomas McCabe
Edison Mission Energy
18101 Von Karman Avenue, Suite
1700
Irvine, CA 92612

Mary McDonald
Director of State Affairs
California Independent System
Operator
CAISO
151 Blue Ravine Road
Folsom, CA 95630

Karen Griffin, Project Manager
California Energy Commission
Docket Office, MS-4
Re: Docket No. 07-0IIP-01
1516 Ninth Street
Sacramento, CA 95814-5512