



**Pacific Gas and  
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**Electronic Delivery**

California Energy Commission  
Dockets Office, MS-4  
1516 Ninth Street  
Sacramento, CA 95814

**Re: Docket No. 11-IEP-1K**

Docket Office:

Please find attached PG&E's comments on Natural Gas Market Assessment, Reference Case, Proposed Scenarios, and San Bruno Incident Safety and Reliability Implications workshop, held April 19. Please contact me should you have any questions.

Sincerely,

Attachment

**DOCKET**

**11-IEP-1K**

DATE	MAY 04 2011
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**PACIFIC GAS AND ELECTRIC COMPANY RESPONSE TO THE CEC STAFF'S APRIL 19TH  
WORKSHOP ON NATURAL GAS MARKET ASSESSMENT,  
REFERENCE CASE, PROPOSED SCENARIOS, AND SAN BRUNO  
INCIDENT SAFETY AND RELIABILITY IMPLICATIONS  
11-IEP-1K**

Pacific Gas and Electric Company ('PG&E') is pleased to provide our observations and responses to Staff's initial work and direction with respect to its Natural Gas Market Assessment. We look forward to the outputs of the World Gas Trade Model in the various scenarios Staff is considering, and ultimately commenting on the full report when it is released in July.

PG&E's comments below include responses to specific questions posed by CEC staff with respect to modeling reduced pressure cases, as well as general observations about assumptions regarding demand, supply, and infrastructure. Also appended are PG&E's comments in response to the California Public Utilities Commission ('CPUC') Order Instituting Rulemaking on the Commission's Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Rate-making Mechanisms ('OIR').

**I. Responses to CEC Staff Written Questions (April 13, 2011)**

Q1: How short term pressure reductions (translated into annual pipeline capacity reductions) alter annual demand, prices, flows, and buildout.

Response: Based on what we know today, short term pressure reductions will not affect overall annual supply capacity. There will be considerable work this summer that affects capacity on PG&E's Baja Path (supplying gas from the southwest and the Rockies) but there is adequate alternative capacity on the Redwood Path (supplying gas from Canada, and eventually, the Rockies).

The system supply on high demand days is often supplemented by high levels of storage withdrawal. In practice, it is more common to see flowing supply from out of state pipelines reduced on high demand days because of the heavy reliance on storage.

Gas transport rates have been set by the CPUC and will not be affected by short term pressure reductions. PG&E cannot speculate if or how reduced transmission capacity may affect the commodity price of natural gas.

Q2: How long term cost and scheduled outages of pipelines alter annual demand, prices, flows, and buildout.

Response: Although there will be ongoing work to PG&E's backbone and local transmission systems over the next several years, it is likely the work can be coordinated such that it occurs when demand is lower and thereby not affect overall annual supply capacity.

The upcoming Pipeline 2020 filing, expected to be submitted in the second quarter of 2011, will provide the best information on the potential impact on future natural gas transportation costs. Even though the filing will provide guidance on transportation costs, the ultimate impact on rates will not be known until there is a CPUC rate case decision.

In addition to the above, PG&E has provided an analysis of the impacts of further pressure reductions in the March 15<sup>th</sup> report to the CPUC on records and maximum allowable operating pressure validations and in PG&E's April 13, 2011 comments in Rulemaking 11-02-019. These filings are attached to these comments. As described in Attachment 2 of PG&E's April 13 comments, PG&E is in the process of analyzing additional pressure reduction scenarios and plans to report the results of this analysis to the CPUC in May 2011.

## **II. Observations on Modeling**

In the absence of specific outputs from Staff's modeling runs, PG&E has the following broad observations on inputs and assumptions relevant to natural gas market assessments.

### **Infrastructure (outages, new development, storage, etc.)**

The CEC plans to analyze a number of scenarios as part of the natural gas market assessment using the Rice World Gas Trade Model (RWGTM), which provides annual results. For the High CA Gas Demand and the Stressed CA High Gas Demand scenarios the RWGTM will provide only limited insight into resulting natural gas prices and the degree to which infrastructure is stressed because the model only provides annual results. Natural gas storage will be an important component of natural gas infrastructure in allowing the market to respond to these conditions, but with an annual model, natural gas storage cannot be modeled effectively. In these scenarios, the CEC should use a modeling tool that provides results on at least monthly time periods.

## **III. Conclusion**

PG&E appreciates the CEC's efforts to envision a broad spectrum of variables that could potentially impact natural gas demand, supply, infrastructure, and ultimately reliability and safety. We look forward to continued coordination with the CEC on natural gas forecasting efforts, and encourage the Commission to engage in ongoing proceedings at the PUC and other regulatory bodies currently investigating these issues.