



ENERGY TRANSFER PARTNERS  
**Transwestern Pipeline Company**

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September 27, 2011

*via hand delivery*

Ruben Tavares  
California Energy Commission ("CEC")  
1516 Ninth Street  
Sacramento, CA 95814

**DOCKET**

**11-IEP-1K**

DATE SEP 27 2011

RECD. SEP 27 2011

RE: Draft Staff Report, 2011 Natural Gas Market Assessment: Outlook, CEC September 27, 2011 Workshop

Dear Ruben:

Transwestern Pipeline has completed a preliminary review of the subject Draft Staff Report and would like to have the opportunity to explore some of its assumptions in greater detail. We are concerned that some of the conclusions reached via the model analysis could be based on information that may not be as current as possible. Such conclusions could lead to a bias in policy, create winners and losers in transportation contract negotiations and, ultimately, decrease competitive options to California. Until such time that Transwestern can meet with the CEC, we would like to make the following observations.

- **Transwestern Pipeline currently has a utilization percentage of 98% for its West of Thoreau segment.** The report's Reference Case projects a utilization of 37 percent in the year 2022. Such a dramatic reduction in utilization requires a thorough examination of the drivers behind it.
- **Basis differential assumptions are not clear nor is the methodology used in calculating future basis differentials for Topock and Malin.** The report's Reference Case projects a price differential between the California Border at Topock and Malin of \$0.36/MMBtu (\$2010) in the year 2022. Currently, prices in the forward market indicate Topock \$0.18/MMBtu higher for October 2011 and \$0.14/MMBtu higher for the one year period beginning November 2011.
- **Variable transportation cost assumptions across various pipelines are not specified.** Gas prices in the supply basin and variable transportation costs will determine which pipelines are utilized. Transwestern Pipeline currently has very competitive variable transportation costs and recently

filed to reduce the fuel charge for shippers transporting to California from the San Juan supply area.

- **Transwestern Pipeline has greater supply diversity than noted in the report.** Transwestern is connected not only to supply in the San Juan basin but it can also access the Permian, Rockies via TransColorado and Northwest, Mid-Continent, and Texas shale supply areas.

We appreciate the difficulty associated with making long-term projections and look forward to working with the CEC as it endeavors to gain insight into the ever-changing dynamics of energy supply.

I look forward to talking to you soon and please feel free to call me if you have any comments or questions at 281-714-2013 or email me at the address below.

Best regards,

A handwritten signature in black ink that reads "Paul Y'Barbo". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Paul Y'Barbo  
Sales Director, Transwestern Pipeline Company, LLC

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