



ENERGY TRANSFER PARTNERS
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October 11, 2011

Ruben Tavares

California Energy Commission ("CEC")
1516 Ninth Street
Sacramento, CA 95814
via electronic submittal

DOCKET

11-IEP-1K

DATE Oct. 11 2011

RECD. Oct. 11 2011

Re: Docket 11-IEP-1K; Draft 2011 IEPR-Natural Gas Market Assessment Reference Case and Scenario Results. CEC September 27, 2011 Workshop.

Dear Ruben:

Transwestern Pipeline submits its written comments to the CEC's workshop held on September 27, 2011. We thank you for entering our preliminary comments into the 2011 IEPR docket. Attached to this letter you will find additional information that supports our previous comments in the form of five slides. Transwestern submits the following: 1. Transwestern Pipeline Total West of Thoreau and Phoenix Deliveries, 2. Natural Gas Daily Prices relevant to California, 3. Daily Gas Spreads for supply areas serving California and California border points, 4. variable transportation costs for various pipelines serving the California market, and 5. Transwestern Supply Access either directly or through its interconnections.

We hope that our initial comments and these comments will be helpful to the CEC as the 2011 IEPR report is finalized. Below are Transwestern's expanded thoughts on its preliminary comments.

- Transwestern Pipeline has a West of Thoreau delivery capacity of 1,225 MMCFD that has averaged 1,110 MMCFD (90.6% utilization) over the past year. Currently, utilization is at maximum capacity. Transwestern serves California, the Phoenix area, and other Arizona markets with this segment of its system. The report's Reference Case projects a utilization of 37 percent in the year 2022. It would be helpful to understand the model assumptions that drive such a dramatic reduction in utilization of the southern pipelines. Additionally, we question whether or not the Arizona load was properly accounted for in the calculation of utilization. Were the Arizona delivery volumes included in the calculation? If not, was the Transwestern's delivery capacity to the California border adjusted downward to recognize that this segment serves both California and Arizona?
- Transwestern would like to see a greater explanation of the methodology used in calculating future basis differentials for the supply areas as well as 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. For much of the past year, SoCal border prices traded below or at less than a \$0.10 premium to Malin. During the past four months, SoCal border have strengthened relative to Malin but have only occasionally reached a \$0.36 premium. Meanwhile, since the start-up of Ruby, San Juan prices have steadily fallen relative to Rockies prices and are currently trading below Opal prices. The strengthening of SoCal border prices accompanied by a fall in San Juan prices is a recent phenomenon that will require further observation to understand.

- Transwestern Pipeline recently filed to reduce the fuel charge for shippers transporting to California from the San Juan supply area. Assuming that the proposed fuel rates are approved, Transwestern will have very competitive variable transportation costs as compared to all of the pipelines that serve California. How does the model incorporate variable transportation costs into its prediction of gas flows?
- Transwestern Pipeline has access to supply in the San Juan Basin, Permian, Rockies via TransColorado and Northwest, Mid-Continent, and Texas shale supply areas.

Finally, we appreciate the staff's invitation to meet with parties to further discuss natural gas market assessment related to California and we are very interested in meeting with the CEC.

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,



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

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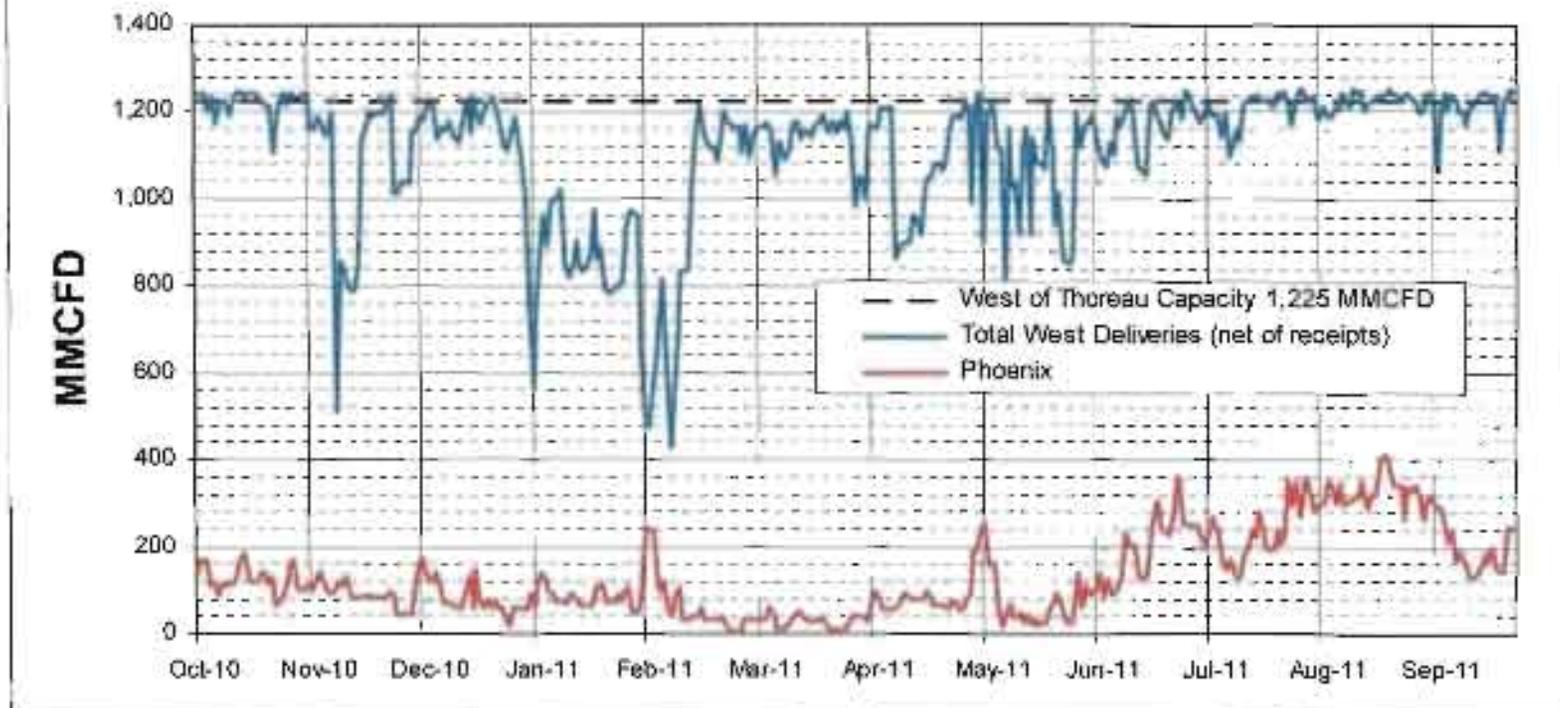
A Leader in the Transportation of America's Natural Gas

California Energy Commission

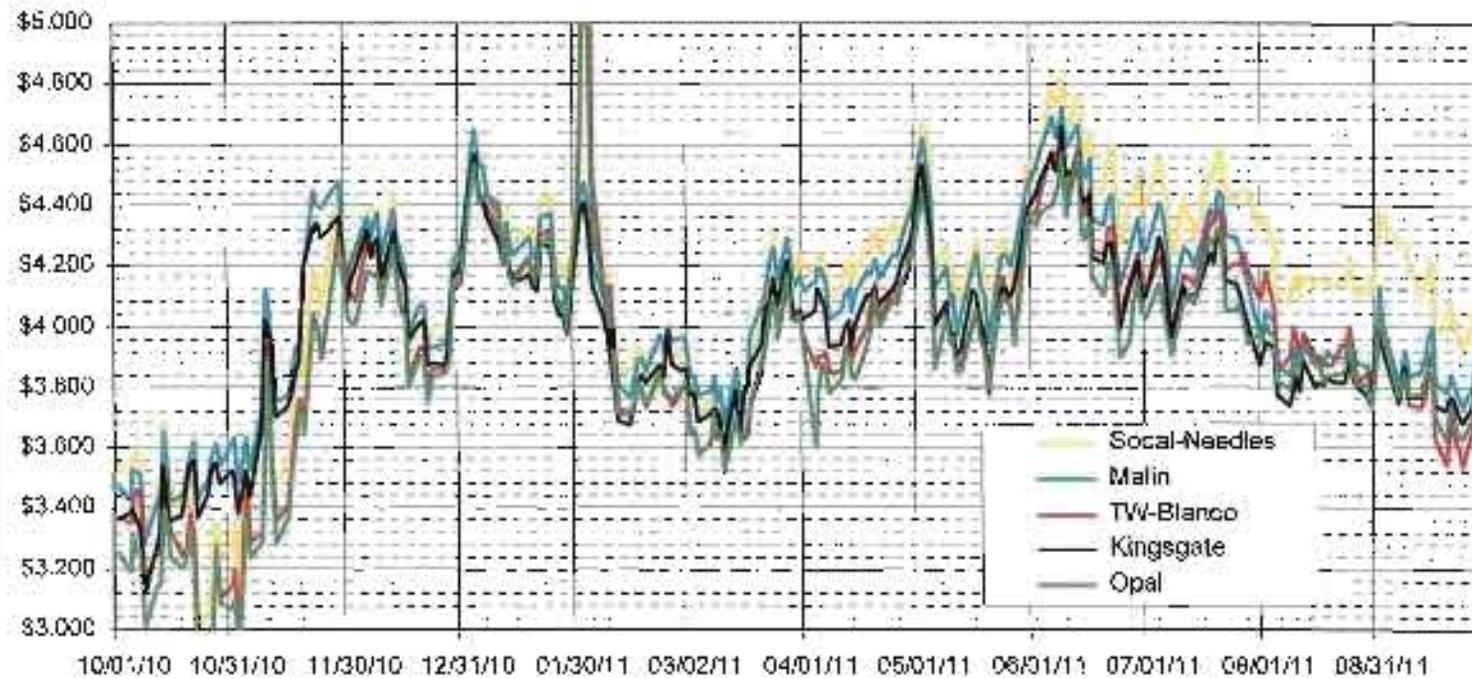
Paul Y'Barbo

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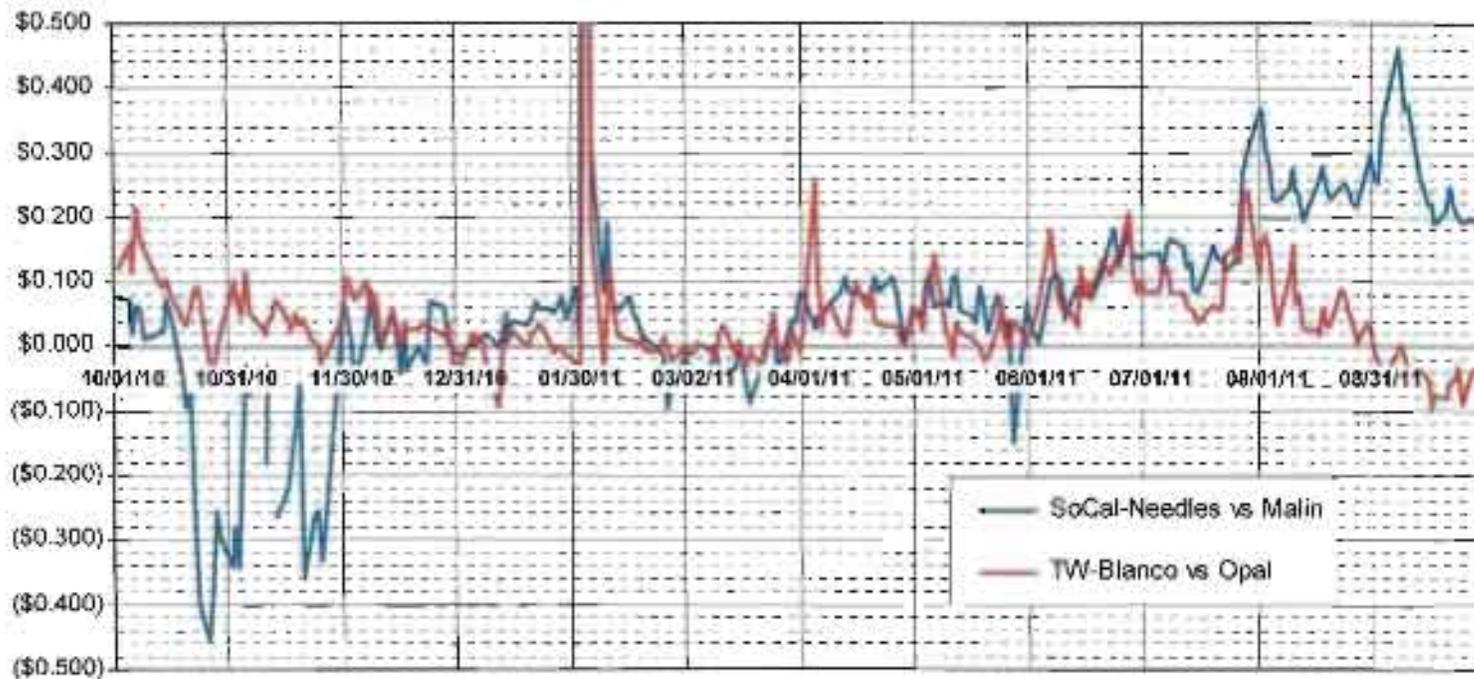
TRANSWESTERN PIPELINE WEST of THOREAU DELIVERIES



U.S. Natural Gas Daily Gas Prices (\$/MMBtu)



U.S. Natural Gas Daily Gas Spreads (\$/MMBtu)



SUMMARY OF VARIABLE COSTS TO CALIFORNIA

Prices for September 29, 2011 Flow

SUPPLY BASIN	
1 EPNG - Bondad	3.635
2 EPNG - SJ	3.635
3 TW - SJ	3.665
4 Opal	3.730
5 GTN Kingsgate	3.800
6 AEEO (\$US)	3.374

1 US = 1.03598 CAD

MARKET AREA	
1 SoCal	4.020
2 PG&E - Topock	4.015
3 PG&E - Malin	3.845
4 EPNG - South Mainline (PHX)	4.005

COST of GAS DELIVERED TO SOUTHERN CALIFORNIA

TRANSWESTERN (Proposed)				
		Year 1	Year 2	Year 3
Supply Area	3	\$3.665	\$3.665	\$3.665
Fuel Rate		2.15%	2.05%	2.00%
Electric Rate		\$0.0000	\$0.0000	\$0.0000
Commodity + Surcharges		\$0.0129	\$0.0129	\$0.0129
Variable Transport Cost		\$0.0917	\$0.0880	\$0.0862
Delivered Cost		\$3.757	\$3.753	\$3.751

EL PASO		
Supply Area	1	\$3.635
Fuel Rate		2.48%
Electric Rate		\$0.0000
Commodity + Surcharges		\$0.0336
Variable Transport Cost		\$0.12370
Delivered Cost		\$3.759

KERN RIVER		
Supply Area	4	\$3.730
Fuel Rate		2.99%
Electric Rate		\$0.0001
Commodity + Surcharges		\$0.0062
Variable Transport Cost		\$0.1178
Delivered Cost		\$3.848

SOUTHERN TRAILS		
Supply Area	3	\$3.665
Fuel Rate		2.10%
Electric Rate		\$0.0000
Commodity + Surcharges		\$0.0122
Variable Transport Cost		\$0.0892
Delivered Cost		\$3.754

COST of GAS DELIVERED TO MALIN

RUBY		
Supply Area	4	\$3.730
Fuel Rate		0.20%
Electric Rate		\$0.0410
Commodity + Surcharges		\$0.0100
Variable Transport Cost		\$0.0585
Delivered Cost		\$3.789

GTN		
Supply Area	5	\$3.800
Fuel Cost (0.0024% per mile)		\$0.0559
Electric Rate		\$0.0000
Commodity + Surcharges		\$0.0116
Variable Transport Cost		\$0.0675
Delivered Cost		\$3.867

