

Decision 89 05 062 MAY 26 1989**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into)
 natural gas procurement and system)
 reliability issues.)

R.88-08-018
 (Filed August 10, 1988)

Order Instituting Investigation into)
 procurement and system reliability)
 issues.)

I.87-03-036
 (Filed March 25, 1987)

OPINION

On March 31, 1989, Pacific Gas and Electric Company (PG&E) filed a petition for modification of Decision (D.) 88-12-099. PG&E's petition requests that the Commission modify its order to direct PG&E to take steps to implement by November 1, 1989 its Integrated Capacity Priority (ICP) program on its system as a pilot program. PG&E requests that this pilot program be introduced according to a schedule it proposed at the first prehearing conference in this proceeding.

PG&E's petition states that the Commission should approve a pilot program as it has for storage banking services, which was designed to observe the effects of an interim program and to expedite provision of this service. PG&E comments that under existing arrangements with El Paso Natural Gas Company (El Paso), third parties do not have access to firm transportation rights, rights which PG&E's proposed program would provide, subject to approval by the Federal Energy Regulatory Commission (FERC). In order to implement a program by November 1, PG&E states it needs a Commission order by June 15, 1989, approving a pilot program.

A number of parties to this proceeding responded to PG&E's petition. All support a reasonable, well-designed program but express reservations about whether such a program can be developed in the timeframe proposed by PG&E. Indicated Producers

(Producers), a consortium of large oil companies, believes that the pilot program is premature because FERC authority is not forthcoming and that PG&E's proposed procedure does not offer intervenors meaningful opportunities to participate in the Commission's decision-making process. Canadian Producer Group shares Producers' concerns, noting the potential significant effects of the ICP on core and core-elect customers. California Industrial Group raises concerns over PG&E's failure to include the PGT line as part of its ICP program and to address the disposition of PG&E's grandfathered rights on the El Paso system. The Department of Energy, Minerals and Natural Resources and the Commissioner of Public Lands of New Mexico also raises a number of difficult issues which it believes could not be resolved in the shortened schedule proposed by PG&E. The Division of Ratepayer Advocates and El Paso oppose the petition and make similar comments.

For the reasons cited by the parties who commented on PG&E's petition, we will not expedite the implementation of our capacity allocation program. The development of a sound and balanced program is likely to be a difficult undertaking which the Commission could not accomplish by June 1989. The issue of capacity allocation is too important for such a hasty review. Accordingly, we will deny PG&E's petition for modification of D.88-12-099.

Findings of Fact

1. PG&E requests a modification of D.88-12-099 which would permit it to put into place a pilot capacity allocation program by November 1, 1989.
2. PG&E's proposed pilot program raises numerous implementation issues.
3. Numerous parties to this proceeding protested PG&E's proposed modification of D.88-12-099.

Conclusions of Law

1. PG&E's petition for modification of D.88-12-099 should be denied.
2. PG&E's request for adoption of its proposed procedural schedule for considering its proposed pilot program should be denied.

ORDER

IT IS ORDERED that Pacific Gas and Electric Company's petition for modification of D.88-12-099 to allow it to implement a pilot capacity allocation program by November 1, 1989 is denied.

This order is effective today.

Dated MAY 26 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Victor Weisner
Victor Weisner, Executive Director