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Decision 91-01-031 January 25, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Order Instituting Investigation on the Commission's Own Motion into the Interstate Natural Gas Pipeline Supply and Capacity Available to California.	I.88-12-027 (Filed December 19, 1988; Petition for Modification filed October 30, 1990)

OPINION

Altamont Gas Transmission Company (Altamont),[1] petitions the Commission to modify Decision (D.) 90-02-016 in Order Instituting Investigation (I.) 88-12-027, to find that Altamont's proposed pipeline project meets the criteria for the Commission's support, and to direct its general counsel to make appropriate representations of such support before all executive, legislative, and judicial departments of the United States, of California, and elsewhere, including specifically the Federal Energy Regulatory Commission (FERC).

In D.90-02-016 we found that California required substantial additional natural gas supplies and pipeline capacity, and we set forth the criteria against which proposals for new pipeline capacity would be evaluated. We stated that we would support any interstate project which met our criteria. We chose not to select a specific proposal because we wanted competitive forces in the marketplace to choose how and by whom California's need for additional transmission capacity would be met.

1 Altamont is the successor to the Altamont Gas Transportation Project. Altamont was formed as a joint venture whose participants and their respective interests are: Amoco Altamont Company (Amoco) - 25%; Entech Alamont, Inc. (Entech) - 10%; Petro-Canada Altamont, Inc. (Petro-Canada) - 25%; and Tenneco-Altamont Corporation (Tenneco) - 40%.

The Altamont Project

The Altamont Project is designed to deliver Canadian natural gas to southern California. Natural gas originating in Alberta, Canada, will be transported to Altamont's pipeline at the U.S.-Canadian border through the facilities of NOVA Corporation of Alberta. The Canadian natural gas transported by Altamont will be delivered to the already certificated facilities of Kern River Gas Transmission Company (Kern River) at a point of interconnection of the two systems near Opal, Wyoming, for ultimate delivery to southern California. Altamont and Kern River have entered into an agreement which obligates Kern River to establish an interconnection between the two systems and to expand the Kern River system to accommodate the Canadian natural gas to be delivered by Altamont. The Kern River system will interconnect with Southern California Gas Company's (SoCalGas) system and potentially that of Pacific Gas and Electric Company (PG&E). Thus, the natural gas transported by Altamont will be available to serve enhanced oil recovery customers, local distribution companies, and other customers in California.

Altamont alleges that since the conclusion of the OII hearings in September 1989, there have been numerous advancements in the Altamont Project. On May 14, 1990, Altamont executed a Construction, Operation and Maintenance Agreement with Altamont Service Corporation, an affiliate of Tenneco Gas, one of the country's largest natural gas pipeline operators, which provides that Altamont Service Corporation will construct and operate the Altamont pipeline. On May 15, 1990, Altamont filed with FERC an application for a certificate of public convenience and necessity under FERC's optional expedited certificate procedures (FERC Docket No. CP90-1375-000). In connection with this certificate application filing, Altamont also filed with FERC on May 15, 1990, (1) an application for authorization to transport gas on an open access basis (FERC Docket No. CP90-1372-000); (2) an application for authorization under Section 3 of the Natural Gas Act to locate facilities at the U.S.-Canadian border to import gas into the United States (FERC Docket No. CP90-1373-000); and (3) an application for a presidential permit for the construction, operation, connection, and maintenance of pipeline facilities at the U.S.-Canadian Border (FERC Docket No. CP90-1374-000).

Approximately 75% of the Altamont's design capacity of 718,760 thousand cubic feet per day (Mcf/d) is already committed to shippers. Specifically, Altamont has commitments with Amoco Energy Trading Corporation for 103 million cubic feet per day (MMcf/d); Entech, Incorporated for 51 MMcf/d; Petro-Canada Hydrocarbons, Inc. for 50 MMcf/d; Salmon Resources Inc. for 103 MMcf/d; Tenngasco Corporation for 25 MMcf/d; and SoCalGas and Pacific Interstate Company for 200 MMcf/d. Altamont is actively negotiating the related transportation contracts for these capacity commitments. Altamont has also received from shippers letters of interest totaling 490 MMcf/d of transmission capacity.

Altamont has entered into binding agreements for the majority of its capacity. The shippers which have chosen to commit to the Altamont Project have extensive experience and resources in the natural gas industry. Their commitment, Altamont states, reflects the industry's strong support for the project and acknowledges the industry's perception of the project as advantageous. The remaining uncommitted capacity is subject to the interest of other shippers who seek more than twice the firm capacity available.

In addition to shipper support, Altamont asserts that it is economically justified on the grounds of gas-to-gas and pipeline-to-pipeline competition. The construction of another independently owned pipeline corridor to Canada will enhance both these types of competition in a manner in which no other pipeline proposal can. Separate access to Canadian and Rocky Mountain basins will encourage competition between Canadian producers and other supply basins.

The interconnected Altamont and Kern River systems will directly access both Canadian and Rocky Mountain basins. Furthermore, these new supplies will be transported over a line which has the effect of diversifying transportation risk. Through the selection of a route geographically distinct from existing systems, Altamont will ensure the security of California's natural gas supply. Altamont's capacity has been and will be allocated by contract to shippers. Shippers have shown their support through the execution of precedent agreements totaling 532 MMcf/d and their expressed interest in the remaining uncommitted capacity. Once committed, firm shippers will be able to broker capacity consistent with the assignment provision in Altamont's tariff. Cost responsibility for the additional 719 MMcf/d capacity represented by the Altamont system will flow to those customers who will benefit from firm service on the pipeline. All capital and operating costs of the Altamont system will be borne by Altamont's shippers pursuant to transportation contracts.

The Altamont system will be constructed outside of California. Canadian gas transported by Altamont will be delivered to southern California by Kern River. Once the Canadian gas transported by Altamont to the Kern River system reaches Kern County, California, it will be transported through the facilities of SoCalGas, and potentially through the facilities of PG&E. Both of these lines are subject to the Commission's jurisdiction.

Altamont contends that it meets each of the criteria established by the Commission in its OII decision. Altamont will provide significant advantages to California consumers by promoting gas-on-gas and pipeline-on-pipeline competition. Furthermore, any risk associated with the Altamont system will be shared solely by Altamont's owners and its shippers.

Altamont requests that the Commission indicate its support for the Altamont system to FERC, which is consistent with actions taken by the Commission in Pacific Gas Transmission Company's (PGT) expansion proposal in Docket No. CP89-460-000. There, the Commission has filed a statement of support for the PGT proposal as meeting its OII criteria.

Altamont's project satisfies our criteria for interstate capacity. (See D.90-02-016 at pp. 89-102.) The project's economic viability is established by strong customer commitments. We are confident that the project will not be built unless it proves to be economically feasible since Altamont is not expected to construct without first obtaining contractual shipper commitments sufficient to obtain financing. The project also meets our criteria by accessing reliable, long-term gas supplies and fostering supply diversity. Altamont will provide California with access to gas supplies from Canada. Its construction will benefit California by offering an alternative route for shippers, thereby increasing supply reliability and competition. And, of course, the project satisfies the needs of the market. It provides a new source of gas to the enhanced oil recovery market by way of the Kern River project. Brokering of capacity, as required by FERC and the California Public Utilities Commission (CPUC), also will be available. Finally, there are no cost allocation problems associated with this project. Shippers on the project will pay the full cost of the new pipeline and no existing customers in California will bear any of those costs unless they choose to take service from Altamont.

Because Altamont is entirely constructed outside of California, we have no concern regarding the reversion of interstate facilities within California to jurisdictional utilities at some later date nor concern regarding the waiver of General Order 96-A. In regard to bypass since Altamont will connect with

Kern River and because we have approved Kern River (D.90-10-034), we believe that we have already disposed of that issue.

We wish to emphasize that our finding that the Altamont project meets our criteria in no way derogates from our support of PGT's application for a certificate of public convenience and necessity now pending before the FERC in Docket Nos. CP89-460-000 and CP89-460-001. In those dockets we have filed a statement dated April 11, 1990 in which we said,

> "The CPUC has concluded that PGT's settlement and certificate application herein are in compliance with the CPUC's criteria. Accordingly, the CPUC hereby states that it supports fully PGT's certificate application and offer of settlement and requests that the Commission give its speedy approval to both, subject to the requirements of federal law. This statement of support for a federal certificate is in no way intended to prejudge issues pending before the CPUC in connection with the application of Pacific Gas and Electric Company to expand its state regulated facilities within California."

We continue to advocate the positions set forth in that quotation and nothing in this opinion regarding Altamont should be considered in derogation of that statement to the FERC.

Findings of Fact

1. A public hearing is not necessary.

2. The Altamont project as set forth in its petition meets the standards for our support set forth in D.90-02-016 and I.88-12-027.

Conclusion of Law

The petition should be granted.

O R D E R

IT IS ORDERED that the project of Altamont Gas Transmission Company meets the standards for our support set forth in D.90-02-016 and I.88-12-027 and that the general counsel shall make appropriate representations of such support before all executive, legislative, and judicial departments of the United States, of California, and elsewhere, including specifically the Federal Energy Regulatory Commission.

This order becomes effective 30 days from today.

Dated January 25, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I will file a written concurrence.

/s/ JOHN B. OHANIAN
Commissioner

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

NEAL J. SHULMAN, Executive Director

PB

D.91-01-031

I.88-12-027

Commissioner John B. Ohanian, Concurring

The past four years has seen a dramatic change in this Commission's attitude toward additional natuaral gas pipeline capacity to California from opposition to support. This change has been to the future benefit of California.

Among the agonizing decisions we have wrestled with is that of endorsing pipeline projects. To gain Commission endorsement, the Commission established "objective" standards that a pipeline proposal would have to meet. Though voting with the majority to establish these criteria, my preference has always been to endorse all pipeline projects regardless of any criteria. This position was not adopted by the majority, and time was of the essence in issuing a decision.

In the last decision in this docket we actually modified our "objective" criteria to accomodate an applicant which could not meet the established guidelines. Again, I tried unsuccessfully to persuade the majority to merely remove the guidelines and endorse all projects. Since the guidelines were being changed to meet a specific project, I was compelled to file a dissent to that decision.

Today we come to the end of the endorsement period of this proceeding. We will be endorsing a pipeline which has already received its Federal Energy Regulatory Commission non-environmental certificate. While our endorsement of this project is unnecessary, it symbolizes our final support for all of the existing pipeline proposals. This achieves my desired outcome of endorsing all pipeline proposals, albeit delayed by almost a year.

We can now look forward to an era of pipeline construction and the movement of California to a natural gas based economy.

\s\John B. Ohanian

John B. Ohanian

San Francisco, Califonia

January 25, 1991