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FEB 8 1991

Decision 91-02-019 February 6, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into )  
procurement and system reliability )  
issues deferred from D.86-12-010. )

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

(See Appendix A to Decision 88-11-034 for appearances.)

INTERIM OPINION ON SMOG SEASON GAS STORAGE

Summary of Decision

Southern California Gas Company (SoCalGas) has filed an operational plan for "smog season" gas storage by electric utilities during 1991. The plan is approved with a revision allowing Southern California Gas Company to begin gas injection on February 8, 1991. A request for contingency storage volumes above forecast is denied.

Background

The history of this proceeding prior to October 1990 is set forth in Decision (D.) 90-10-038, dated October 12, 1990. D.90-10-038 extended a pilot program for gas storage banking service until April 1, 1992. SoCalGas and Pacific Gas and Electric Company (PG&E) participate in the program.

Pilot program storage for noncore gas customers is offered by SoCalGas under Schedule No. G-STOR, and by PG&E under Schedule G-IB. The pilot program injection season is April 1 through October 31, with subsequent winter withdrawal from November 1 through March 31 of the following year.

Utility Electric Generation (UEG) customers of SoCalGas are also authorized to store gas in anticipation of the Los Angeles basin "smog season," defined as the period from June 1 through October 31 each year. SoCalGas sets aside a fixed quantity of storage capacity for this service, which has higher priority than

G-STOR service. The injection period is March 1 through May 31; withdrawals occur June 1 to October 31. SoCalGas offers smog season storage under Schedule No. G-STAQ.

SoCalGas' Request

SoCalGas plans to offer 16.7 billion cubic feet (bcf) of storage capacity for G-STOR service during 1991-92. This is the same amount offered during the 1990-91 season.

D.90-03-037 ordered SoCalGas to file an operational plan for G-STAQ service during 1991. SoCalGas filed a plan on September 28, 1990, and stated its belief that program continuation in 1991 is necessary. At that time SoCalGas intended to reserve 20 bcf of storage space for G-STAQ service, assuming average demand for gas. SoCalGas recommended increasing the storage quantity to 40 bcf as a contingency against high gas demand, for example if two nuclear electric generating units were out of service for two months each during the smog season. SoCalGas was still considering the details of continued G-STAQ service and requested permission to supplement the September 28, 1990 filing.

On December 7, 1990 SoCalGas did supplement the earlier filing. SoCalGas now seeks to reserve 38 bcf of storage space for smog season storage, 18 bcf to meet forecast needs, and 20 bcf contingent on high gas demand. SoCalGas requests that smog season injections begin January 1, 1991, two months earlier than previously authorized.

D.90-10-038 denied requests by SoCalGas and Southern California Edison Company (Edison) to extend smog season storage past October 31. In its December 7, 1990 filing, SoCalGas proposes to give UEG customers three options to satisfy the deadline: (1) simple withdrawal of all stored quantities, (2) sale of the gas to SoCalGas under terms previously ordered by the Commission, or (3) transfer of G-STAQ quantities to regular pilot storage, for customers which had been awarded storage space in the G-STOR bidding process.

SoCalGas proposes a series of rules regarding the sequencing of pipeline transmission capacity allocated to G-STAQ customers, to minimize problems with transportation imbalance provisions. The rules would allow UEG customers to use their storage volumes to relieve short-term imbalances between transportation deliveries and actual use of gas. The rules are different for the injection and withdrawal seasons.

#### Responses by Other Parties

On December 24, 1990, Southern California Utility Power Pool and Imperial Irrigation District (SCUPP/IID) filed a response to SoCalGas' request. SCUPP/IID supports continuation of G-STAQ service for one more year as a "necessary evil," hoping that 1991 will be the last year of the program because new pipeline capacity will be available by early 1992. SCUPP/IID neither supports nor opposes moving the beginning of the injection period to January 1.

The Division of Ratepayer Advocates (DRA) filed a response on December 26, 1990. DRA supports continuation of G-STAQ service but is concerned about expansion of smog season quantities to 38 bcf. DRA believes it is fair for other customers to be affected by necessary smog season storage, but not by contingency storage. DRA recommends UEG customers be allowed to store up to 38 bcf, but only 18 bcf should be injected after April 1, 1991. DRA concurs with moving the injection startup date from March 1 to January 1. Finally, DRA recommends injection fees be paid for all storage injections, whether those injections are real (from outside supplies) or virtual (transfers from another storage program). DRA argues this is necessary to prevent unfair competition in the G-STOR program. Without injection fees for transfers, UEG customers could unfairly outbid other customers for G-STOR storage space.

On January 25, 1991 Edison responded to DRA's comments. Edison agrees with DRA that G-STAQ service should be continued, and

that service should begin earlier than March 1, 1991. Edison supports SoCalGas' proposal for 20 bcf of contingency storage, but opposes DRA's recommendation on injection fees.

Discussion

Maintaining SoCalGas' G-STOR capacity at 16.7 bcf for the 1991-92 season is reasonable, with the understanding that SoCalGas cannot guarantee delivery of all the storage quantities awarded in the bidding process.

SoCalGas made its supplemental filing on December 7, 1990, too late for a Commission order on the request to change the beginning of the G-STAQ injection season from March 1 to January 1. However, we agree with DRA that the smog season storage program should have the least possible interference on core storage or on the G-STOR program. Under SoCalGas' storage operation, injection under the G-STOR program does not begin until the G-STAQ program is fully subscribed. To the extent that G-STAQ injection, based on a March 1 start, fails to become fully subscribed by April 1, G-STOR and core storage injection are adversely affected. By allowing the G-STAQ program to begin earlier than March 1, UEG participants will be provided an opportunity to complete more of their smog season storage injections during the winter. This should provide some relief for core and G-STOR customers buying and storing gas in the spring. Therefore, it is reasonable to allow SoCalGas to begin storage injections under the G-STAQ program before March 1, 1991. Since the requested date of January 1 has passed, SoCalGas will be authorized to begin injections under its G-STAQ program on February 8, 1991. This order does not imply gas purchases made under this program are necessarily prudent.

The forecast need for 18 bcf of G-STAQ storage is reasonable, but we will deny SoCalGas' request for 20 bcf of contingency storage. The nuclear plant forced outage scenario is unlikely, and SoCalGas has not adequately explained which other

customers would be disadvantaged if the extra 20 bcf is dedicated to UEG customers. If UEG customers filled the 20 bcf of storage and the need did not appear during the smog season, and if G-STOR capacity had been compromised to serve the UEG customers, then UEG customers would have higher storage priority than other noncore customers for gas not needed for the smog season. There is no mechanism proposed to return the unneeded storage to noncore customers at the end of the smog season. If G-STOR capacity was not reduced in order to allow the 20 bcf of contingency storage, then core storage targets might be compromised. Without further analysis of such impacts, and without a plan to return to other customers storage space not necessary during smog season, authorization of the 20 bcf of contingency storage is unreasonable. If G-STAQ service in excess of 18 bcf becomes necessary late in the 1991 smog season, we expect SoCalGas to seek further relief from the Commission.

We have no objection to transfers of storage gas from G-STAQ to G-STOR service, as long as UEG customers follow regular G-STOR procedures. However, we will deny DRA's request for injection fees for such transfers. Injection fees are intended to be cost based, and they would be paid at the time of G-STAQ injection. UEG customers making transfers would pay reservation fees for both G-STAQ and G-STOR service, and double injection fees are not necessary.

There has been no protest to SoCalGas' proposed rules on sequencing of pipeline capacity. We will allow the rules.

SoCalGas' pleadings seem to question the intention of the first ordering paragraph of D.90-10-038, concerning program extension. Schedule No. G-STAQ includes a special condition that the schedule terminates on November 1, 1990 unless modified by Commission action, and it was our intention that D.90-10-038 extend both G-STOR and G-STAQ service through March 31, 1992.

Findings of Fact

1. SoCalGas has filed an operational plan for 1991 G-STAQ service, requesting revisions regarding start of the injection season, contingency storage above forecast needs, transfer of G-STAQ quantities to G-STOR service, and rules for sequencing of pipeline transmission capacity.
2. SCUPP/IID and DRA have responded to the operational plan.
3. Continuation of G-STAQ service in 1991 is necessary.
4. Maintaining SoCalGas' G-STOR capacity at 16.7 bcf for the 1991-92 season is reasonable.
5. The reasonable level for storage dedicated to SoCalGas' 1991 G-STAQ service is 18 bcf.
6. Authorization of 20 bcf of contingency storage for 1991 G-STAQ service would be unreasonable.
7. Revision of the smog season injection period from March 1 to February 8 is reasonable.
8. Transfers of storage gas from G-STAQ to G-STOR service are reasonable, as long as UEG customers follow regular G-STOR procedures.
9. Injection fees upon transfer of storage gas from G-STOR to G-STAQ service are not necessary.
10. There has been no protest to SoCalGas' proposed rules on sequencing of pipeline capacity.

Conclusions of Law

1. SoCalGas' request for permission to supplement its September 28, 1990 filing should be granted.
2. SoCalGas' operational plan for 1991 G-STAQ service, revised to allow start of the injection period on February 8 and to deny contingency storage above 18 bcf, should be approved.
3. D.90-10-038 extended both G-STOR and G-STAQ service through March 31, 1992.

4. This order should be effective on the date signed because the service authorized must commence on February 8, 1991.

INTERIM ORDER

IT IS ORDERED that:

1. The request of Southern California Gas Company (SoCalGas) for permission to supplement its September 28, 1990 filing is granted. SoCalGas' December 7, 1990 filing is accepted.

2. SoCalGas' operational plan for 1991 G-STAQ service, revised to allow start of the injection period on February 8 and to deny contingency storage above 18 billion cubic feet, is approved.

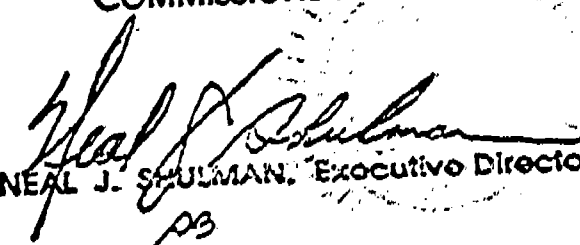
3. SoCalGas is ordered to file revised tariff Schedule No. G-STAQ to reflect the 1991 operational plan approved herein. The revised schedule shall become effective on the day of filing.

This order is effective today.

Dated February 6, 1991, at San Francisco, California.

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

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

  
NEAL J. SHULMAN, Executive Director  
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