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Decision 91-09-035 September 6, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PACIFIC GAS AND ELECTRIC COMPANY  
for a Certificate of Public  
Convenience and Necessity to  
Construct and Operate an Expansion  
of Its Existing Natural Gas  
Pipeline System. (U 39 G)

**ORIGINAL**

Application 89-04-033  
(Filed April 14, 1989)

**ORDER GRANTING EXPEDITED REHEARING  
OF DECISION (D.) 91-06-017 and D.91-06-053**

Altamont Gas Transmission Company (Altamont),<sup>1</sup> Kern River Gas Transmission Company (Kern River),<sup>2</sup> and the Indicated Expansion Shippers (IES)<sup>3</sup> have filed applications for rehearing of D.91-06-053. Altamont also asks for rehearing of D.91-06-017. We have reviewed all the allegations in the applications and are of the opinion that the issues raised are of sufficient magnitude that we will grant rehearing on an expedited basis in order to take further evidence and to reconsider those issues.

D.91-06-017 and D.91-06-053 modified D.90-12-119, which granted the application of Pacific Gas and Electric Company (PG&E) for a Certificate of Public Convenience and Necessity

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1. Altamont is a pipeline company that is competing against PG&E (the wholly-owned pipeline subsidiary of PG&E) to build an interstate pipeline to transport Canadian gas to California.
  2. Kern River is a competitor that seeks to construct an interstate pipeline to bring natural gas from Rocky Mountain and southwest producers, as well as Canadian gas via Altamont, to the southern California markets.
  3. IES is an ad hoc group of shippers that seeks to deliver gas to northern California and claims to have contracts totalling approximately one-third of the project's California volumes.

(CPCN) to expand its natural gas pipeline system (Expansion Project). In D.91-06-017, the Commission confirmed the use of a statewide Expansion tariff ("postage stamp") rate based on the incremental cost of service for the entire Expansion Project. In D.91-06-053, the Commission determined that shipments on the interstate portion of PG&E's expanded gas transmission facilities may not cross over to existing PG&E facilities to avoid the intrastate Expansion Project tariff.

Altamont alleges that the two orders are preempted by a January 22, 1991 order of the Federal Energy Regulatory Commission (FERC) and impermissibly burden interstate commerce. Kern River claims that the Commission relied on faulty conclusions to designate the PG&E Expansion Project as the means of transportation within California for shippers on the PGT expansion. IES claims that D.91-06-053 violates Sections 453(a) and 453(c) of the Public Utilities Code, is at odds with the capacity brokering program being considered in R.88-08-018, and is inconsistent with the Commission's publicly stated positions at the FERC.

The Alberta Petroleum Marketing Commission and Independent Petroleum Association of Canada, El Paso Natural Gas Company (El Paso), and Altamont filed Responses in support of the IES application for rehearing.

Southern California Gas Company (SoCalGas) objects to IES' proposal for an omnibus docket to hear rate design and other issues related to the interconnection of new interstate pipeline capacity with the intrastate systems of California utilities. Southern California Edison Company (Edison) opposes the IES application.

#### Official Notice of the FERC Order

On August 1, 1991, the FERC issued an order regarding the application of PGT for a certificate to expand its interstate

gas transmission facilities (FERC order).<sup>4</sup> Although the FERC has granted PGT a certificate, that certificate is subject to the following condition: "PGT may not initiate construction until [the FERC] is assured that PGT shippers are receiving nondiscriminatory treatment as to access to the California markets by means other than on the PG&E expansion." FERC interprets the designation of PG&E's Expansion Project as the carrier of gas transported over the PGT Expansion to be an anticompetitive tying arrangement. The FERC also expresses disapproval of our requirement that shippers seeking to deliver Expansion gas to PG&E's service territory must pay PG&E's intrastate ("backbone") transportation rate in addition to the Expansion rate. The FERC is concerned that this requirement would in effect require northern California shippers to pay twice for transportation to and from the southern end of PG&E's transmission system when no such physical transportation is required to serve them.

On August 2, 1991, the IES filed a motion asking this Commission to take official notice of the FERC order. The FERC has conditioned the construction of the PGT portion of the Expansion Project upon the resolution of the same issues that have been raised by the various applications for rehearing. It is appropriate to take official notice of the FERC order, and we will do so.

#### Applications for Rehearing

The issues raised in the applications for rehearing, and those of apparent concern to the FERC, are: (1) whether the use of incremental rates for the delivery of Expansion gas within

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4. "Order Issuing Certificate, Granting and Denying in Part Rehearing and Clarification," *Pacific Gas Transmission Company*, 56 FERC ¶ 61,192 (1991).

PG&E's service territory should be replaced with a system of rolled-in prices; (2) whether D.91-06-053's prohibition against crossover from the expansion system to the existing system should be eliminated; (3) whether the "postage stamp" rate is just and reasonable; and (4) how duplicative backbone transmission charges for northern California shippers can best be eliminated.

We grant rehearing for the purpose of examining these issues.

**THEREFORE, IT IS ORDERED that:**

1. The "Application of Indicated Expansion Shippers for Rehearing of Decision (D.)91-06-053," filed July 22, 1991, the "Application of Kern River Gas Transmission Company for Rehearing of D.91-06-053," filed July 22, 1991, and the "Application of Altamont for Rehearing of D.91-06-017 and D.91-06-053," filed July 8, 1991, are hereby granted to the extent set forth herein.

2. The "Motion of the Indicated Expansion Shippers to Take Official Notice of Order of the Federal Energy Regulatory Commission Conditioning Certificate to Pacific Gas Transmission Company Upon Eradicating Discriminatory Practices," filed August 2, 1991, is hereby granted.

3. The assigned Administrative Law Judge shall convene a prehearing conference within 30 days of the effective date of this order to establish a new service list for this proceeding and to, among other things, schedule evidentiary hearings in accordance with this decision.

4. Pacific Gas & Electric Company, the Indicated Expansion Shippers, the Division of Ratepayer Advocates, and any other interested party shall address the following issues, among others determined by the assigned Administrative Law Judge, in the evidentiary hearing ordered herein:

- a. Incremental versus rolled-in pricing,
- b. Prohibition against crossover from the PGT Expansion to the existing PG&E system,
- c. Elimination of duplicative transmission charges, and

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d. Application of postage stamp rate versus other forms of rates.

This order is effective today.

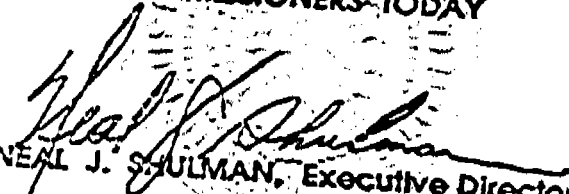
Dated September 6, 1991, at San Francisco, California.

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

I abstain.

G. MITCHELL WILK  
Commissioner

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

  
NEAL J. SHULMAN, Executive Director