

Mailed

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Decision 92-02-074 February 20, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Petition for a determination of the extent to which core sequencing rules take precedence over customer-identified gas program and to clarify Resolution G-2960.

ORIGINAL

Application 91-11-056
(Filed November 15, 1991)

Order Instituting Rulemaking on the Commission's own motion to change the structure of gas utilities' procurement practices and to propose refinements to the regulatory framework for gas utilities.

R.90-02-008
(Filed February 7, 1990)

OPINION

This decision responds to a Petition for Clarification of the Resolution G-2960 filed by Pacific Gas and Electric Company (PG&E). We also respond to a Motion for Stay of Resolution G-2960 filed jointly by the California Industrial Group, the California Manufacturers Association, and California League of Food Processors (CIG).

Background

On October 11, 1991, the Commission issued Resolution G-2960. The resolution found that PG&E was improperly scheduling SL-2 noncore volumes ahead of higher priority SL-1 gas volumes. We directed PG&E to sequence SL-1 core gas and core aggregators' gas ahead of all SL-2 noncore volumes.

In response to the resolution, CIG filed a Motion for Stay and an Application for Rehearing of the resolution. PG&E filed a Petition for Clarification of the resolution. We denied CIG's application for rehearing in a companion decision today.

PG&E's Petition for Clarification

PG&E's pleading seeks clarification regarding how to implement the resolution. PG&E explains that in response to Decision (D.) 90-09-089, it reserved 200 MMcf/d of capacity on the El Paso pipeline system to utilize for noncore customers seeking firm, SL-2 service. It reserved capacity on each of the pipeline's supply basins on a "pro rata" basis according to historic annual purchases: 40 MMcf/d from the San Juan basin, 20 MMcf/d from the Anadarko basin, and 140 MMcf/d from the Permian basin.

PG&E argues that Resolution G-2960 will require it to purchase least cost supplies for the core from each of these basins notwithstanding commitments it has made to SL-2 customers. It states that SL-2 customers have made commitments to producers in each of these basins in reliance on tariffs approved in Resolution G-2948. D.90-09-089, according to PG&E, directs the utilities to set aside discrete amounts of capacity to utilize for service to noncore customers in order to purchase competitively-priced gas supply. PG&E believes Resolution G-2960's requirement that PG&E use a least cost purchasing policy for core supplies conflicts with directives in D.90-09-089 to provide firmer sales service to the noncore.

CMA's Motion for Stay of Resolution G-2960

CMA makes comments similar to those in PG&E's pleading. CMA's motion for stay asks the Commission to change Resolution G-2960 so that SL-2 volumes retain the sequencing priority PG&E gave them before the Commission issued the resolution. CIG explains that Resolution G-2960 reverses policy which provided that firm noncore customers would get gas pro rata from each of the interstate pipeline systems. Conclusion 8 of Resolution G-2960 directs PG&E to purchase gas for its core customers using the least expensive supply source, notwithstanding effects on gas purchases for noncore customers.

CIG explains that noncore customers have relied on PG&E's sequencing practice for nominations in making their elections for service under Schedule G-CIG, effective August 1, 1991. CIG alleges that Resolution G-2960 would cause irreparable harm to such customers who have foregone making arrangements for alternative fuel supplies in reliance on rules which were changed without notice or opportunity to be heard. D.90-09-089 provided that noncore customers would receive gas pro rata from the pipeline systems to the southwest and up to 250 MMcf/d over the PGT line.

Discussion

The Commission adopted new gas procurement policies in D.90-09-089 hoping to provide noncore customers with more reliable gas supply options. To accomplish this goal, the Commission directed PG&E to utilize for purchases of gas for noncore customers up to 200 MMcf/d of PG&E's firm interstate capacity rights on the El Paso system and 250 MMcf/d on the PGT system.

To implement the Commission's goal of improving noncore service reliability, PG&E sequenced specific gas bought for noncore customers from each basin based on its historic purchasing practices. PG&E provided SL-2 customers the highest gas service nomination priority from each basin and allowed all SL-2 gas to flow ahead of SL-1 gas purchased for the core. This practice also limited SL-1 gas flowing under the Commission's core aggregation program to second place after the SL-2 volumes from all basins.

The Commission implicitly recognized that SL-2 service for the noncore could impose near term increases in core gas costs. However, the Commission did not intend this noncore service to be of a better quality than service provided to core customers under the SL-1 service level. D.90-09-089 directed the utilities to interrupt noncore service, including core subscription service, on behalf of core customers.

Resolution G-2960 directed PG&E to stop its practice of providing SL-2 volumes with the highest sequencing priority. PG&E

states it sequenced SL-2 gas ahead of SL-1 gas to provide SL-2 volumes the firmest service possible, as directed by D.90-09-089. We agree that SL-2 service is "firm." However, it is firm relative to other non-core services, not core service.

To elaborate, D.90-09-089 determined different service levels for the core and the noncore. We established these service levels in order to improve sales service for noncore customers with gas from the most favorable supply basins. When no capacity constraint exists, noncore customers may purchase from PG&E up to 40 MMcf/d of gas supplies from the San Juan Basin. This service for the noncore, however, was not guaranteed during periods of capacity curtailments on the pipeline systems. SL-2 service does not receive priority ahead of SL-1 service where a constraint exists. This is sound public policy: core customers do not have service alternatives and pay considerably more than noncore customers for service.

In conclusion, Resolution G-2960 does not force PG&E to choose between two conflicting Commission orders. PG&E should sequence gas on a pro rata basis between the core (which includes core aggregators) and the noncore both on the pipeline systems and at constraint points on those systems. It should purchase least-cost gas supplies for the core from each of the supply basins. Where capacity is constrained in a particular basin, gas should be sequenced on a pro rata basis between SL-1 and SL-2 services to the extent that PG&E requires the core's pro rata share to meet its objective of least-cost purchasing for the core. Core subscription customers, which receive SL-2 service, shall receive the same level of service as other SL-2 customers. Because contracts for the purchase of gas are involved, we are reluctant to issue an order which does not allow some time for parties to restructure their arrangements. We must also recognize that this petition has been pending before the Commission for several months and prudent parties will have taken steps to accommodate today's order.

Accordingly, we will order PG&E to begin immediately to implement today's order, and to have fully implemented it by April 1, 1992. We also place PG&E on notice that nothing in this order relieves PG&E from responsibility in reasonableness review for harm caused to any class of ratepayers from its failure to carry out the Commission's clear directive in G-2960.

This decision should clarify Resolution G-2960. With these clarifications, CIG's motion for stay of Resolution G-2960 will be denied.

Findings of Fact

1. Resolution G-2960 directed PG&E to sequence SL-1 gas ahead of SL-2 gas.
2. D.90-09-089 sought to give noncore customers an option to receive more reliable sales service by directing the utilities to offer a firmer service and to utilize their pipeline capacity rights for core and noncore customers according to certain guidelines.
3. The Commission has never intended that SL-2 service receive priority ahead of SL-1 service where a capacity constraint exists at a supply basin.

Conclusions of Law

1. PG&E should continue to honor the pro rata sequencing from each of the supply basins on the El Paso system; where a capacity constraint exists to any of those basins, however, PG&E shall sequence gas deliveries on a pro rata basis between SL-1 and SL-2 services to the extent necessary for PG&E to fulfill least-cost purchasing for the core; to the extent PG&E's current practice may be inconsistent with the above, it shall conform its practices to meet these requirements immediately where they can practically do so, but in no event later than April 1, 1992.
2. CIG's motion for stay of Resolution G-2960 should be denied.

3. PG&E's motion for clarification of Resolution G-2960 is granted to the extent set forth herein.

ORDER

IT IS ORDERED that:

1. The motion for stay of Resolution G-2960 filed jointly by the California Industrial Group, the California Manufacturers Association, and California League of Food Processors is denied.

2. The motion for clarification of Resolution G-2960 filed by Pacific Gas and Electric Company is granted to the extent set forth herein.

3. Because this decision resolves all issues raised by Application 91-11-056, that proceeding is closed.

This order is effective today.

Dated February 20, 1992, at San Francisco, California.

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

Commissioner Patricia M. Eckert,
being necessarily absent, did
not participate.

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


NEAL J. SHULMAN, Executive Director