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MAR 11 1992

Decision 92-03-030 March 11, 1992

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)

ORIGINAL

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

OPINION ON EXTENSION OF PILOT STORAGE PROGRAM

1. Summary of Decision

Pacific Gas and Electric Company (PG&E) has requested a one-year extension of its pilot gas storage banking program, until April 1, 1993. No party opposes the extension. The request is granted.

2. Background

This investigation was opened in March 1987 to explore several natural gas issues deferred from Decision (D.) 86-12-010, which established a new framework for gas rate design and regulatory policy. The scope of the investigation is now restricted to gas storage issues, including gas storage banking and smog season storage.

In D.87-10-043, the Commission established a conceptual framework for unbundled storage service. Following evidentiary hearings, D.88-11-034 established a pilot program that began April 1, 1989. PG&E, Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E) currently offer storage banking service. PG&E's service is offered under Schedule G-IB, authorized until April 1, 1992.

On September 12, 1991, SoCalGas filed Advice Letter 2072, requesting extensions of its pilot storage banking service and smog season storage service for one year, until April 1, 1993. In

Resolution G-2973, approved December 4, 1991, the Commission granted the requested extensions.

SDG&E initiated a pilot program in 1991, but no customers are enrolled. On March 2, 1992, SDG&E filed Advice 787-A-G, seeking approval of a pilot program extension effective April 1, 1992. The Commission has not yet acted on SDG&E's request.

On October 22, 1991, PG&E filed a "Petition to Modify Decision D.88-11-034 to Extend Storage Banking Pilot Program Until Implementation of Approved, Final Interstate Allocation Program" (Petition). PG&E requested that its current storage banking program be continued and extended for one year, until April 1, 1993. SoCalGas and the Division of Ratepayer Advocates (DRA) responded in support of the Petition.

On November 27, 1991, the California Gas Marketing Group (Marketing Group) filed a "Petition of the California Gas Marketers Group to Request a Forum for Consideration of the Allocation and Unbundling of Storage Costs, and Response to the Petition of Pacific Gas and Electric Company to Extend the Pilot Storage Banking Program."

3. Positions of the Parties

In support of its request, PG&E cited D.90-10-038, in which the Commission found that it is reasonable to defer a permanent storage banking program until customer access to gas supply and pipeline capacity are resolved.¹ PG&E anticipates that prior to April 1, 1993, the Commission and the Federal Energy Regulatory Commission will adopt final interstate pipeline capacity allocation rules, and the Commission will adopt final rules for a permanent gas storage program.

SoCalGas characterizes the Petition as a request for an extension until a final interstate capacity allocation program is

1 38 Cal. PUC 2d 31, 36 (1990); Finding of Fact 3.

implemented. However, the Petition seeks only a one-year extension of PG&E's pilot program, not contingent on other regulatory approvals.

DRA concurs with PG&E's observation that utility service obligations will depend on final capacity allocation rules. DRA also mentions that the construction of interstate pipeline capacity will affect the demand for storage service, further supporting the reasonableness of extending PG&E's pilot storage program. According to DRA, the Mojave and Kern River pipeline projects will be completed during the first six months of 1992.

Marketing Group does not object to the Petition, and takes this opportunity to request that the Commission provide the parties with guidance on the timing and appropriate forum for further consideration of storage issues. Marketing Group asks that allocation of storage costs be addressed soon, so that a revised allocation can become effective upon the implementation of capacity brokering. According to Marketing Group, the Commission's current cost allocation policies allow core subscription customers to enjoy "free storage," and this advantage should not be perpetuated by further extensions of the pilot storage program.

4. Discussion

We agree with PG&E, SoCalGas, and DRA that PG&E's pilot storage banking program should be extended for another year, and we will grant the Petition. PG&E should continue to file quarterly reports, as ordered in previous decisions on gas storage banking.

Some of the parties are optimistic that uncertainties in the gas industry will soon be resolved, and Commission proceedings on a permanent gas storage program can begin. In order to examine this possibility, we will convene a prehearing conference in this proceeding. At the prehearing conference, parties should be prepared to discuss the timing and coordination of Commission orders on a permanent gas storage program, especially in relation to pipeline construction activity, as DRA has mentioned, and

pending orders on capacity brokering and marginal costs. This coordination must be made clear before we begin to review proposals for a permanent storage program.

We do not endorse Marketing Group's characterization of current cost allocation policies as unfairly favoring core subscription customers. Marketing Group has not presented information sufficient to reverse previous Commission findings on allocation of costs and benefits of gas storage.² If Marketing Group wishes to challenge present cost allocation policies, it must do so by presenting credible evidence; mere allegations in a petition do not suffice. In response to Marketing Group's petition for a forum to further consider storage issues, this is the relevant proceeding, and we will decide on a plan of action following the upcoming prehearing conference.

Findings of Fact

1. PG&E has requested a one-year extension of its pilot gas storage banking program.
2. SoCalGas and DRA support PG&E's request, and Marketing Group has no objection to the request.
3. It is reasonable to extend PG&E's pilot gas storage program for one year, until April 1, 1993.

Conclusions of Law

1. PG&E's request should be granted to the extent set forth in this order.
2. This decision should become effective today, so that PG&E may implement its program extension promptly.

² For example, Finding of Fact 12 in D.87-10-043, "The utilities' storage fields increase the reliability of service for all gas users in California, including transportation-only customers."

O R D E R

IT IS ORDERED that:

1. The "Petition to Modify Decision D.88-11-034 to Extend Storage Banking Pilot Program Until Implementation of Approved, Final Interstate Allocation Program," filed October 22, 1991 by Pacific Gas and Electric Company (PG&E), is granted. The storage banking pilot program is extended until April 1, 1993.

2. PG&E shall continue to file quarterly gas storage reports as ordered in D.88-11-034, D.89-12-046, and D.90-10-038.

3. The assigned Administrative Law Judge shall schedule a prehearing conference at which the parties may discuss prospects for a permanent gas storage program.

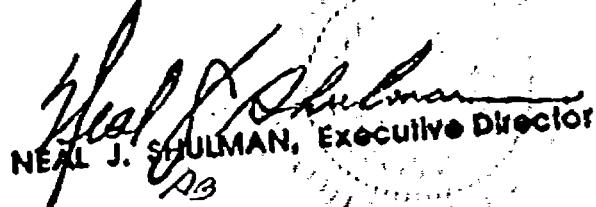
4. Except as ordered above, the "Petition of the California Gas Marketers Group to Request a Forum for Consideration of the Allocation and Unbundling of Storage Costs, and Response to the Petition of Pacific Gas and Electric Company to Extend the Pilot Storage Banking Program," filed on November 27, 1991, is denied.

This order is effective today.

Dated March 11, 1992, at San Francisco, California.

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

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


NEAL J. SHULMAN, Executive Director