

Decision 97-05-093 May 21, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 G) To Unbundle Interstate Transmission Charges From Core Transportation Rates.

Application 96-09-029
(Filed September 18, 1996;
amended February 19, 1997)

O P I N I O N

By this amended application, Pacific Gas and Electric Company (PG&E) requests authority to unbundle interstate gas transmission charges from core transportation rates, so that core aggregators will have the opportunity to purchase interstate transportation service from other providers. Notice of the original application appeared in the Commission's Daily Calendar on September 23, 1996. Enserch Energy Services, Inc.; Utilicorp United, Inc. d/b/a Broad Street Oil & Gas Company; the School Project for Utility Rate Reduction; and the Regional Energy Management Coalition together filed a timely response in support of the application. Enron Capital & Trade Resources also filed a response in support of the application. Notice of the amended application appeared in the Daily Calendar on February 21, 1997. The Commission received no protest or response to the amended application.

In Decision (D.) 95-07-048, the Commission adopted several revisions to utility core aggregation programs. The Commission directed PG&E to file, by January 1, 1997, tariff revisions which would unbundle interstate transportation costs and services from core rates. The unbundling was to become effective by January 1, 1998, when PG&E's current contract for interstate pipeline service with El Paso Natural Gas Company (El Paso) will expire. As an element of negotiations that culminated in PG&E's Gas Accord, PG&E agreed to request an earlier unbundling of core transport rates. The Gas Accord is now submitted for Commission decision in Application (A.) 96-08-043 and A.92-12-043 et al. In the instant application PG&E seeks authority to unbundle its Pacific Gas Transmission Company (PGT) and El Paso interstate costs for the remainder of

1997. Unbundling beginning January 1, 1998, is the subject of a separate filing, A.96-09-028. Neither this application nor A.96-09-028 is contingent on approval of the Gas Accord.

The purpose of the unbundling applications is to allow core aggregators more flexibility in purchasing gas supplies from different supply regions, thus making core transportation service more attractive economically and encouraging the growth of the core transportation market. If approved, this amended application would: (1) unbundle interstate capacity costs from core transportation customer rates; (2) give core aggregators a preferential right to a pro rata share of PGT and/or El Paso firm interstate capacity each month, at 100% of as-billed rates; (3) provide core transportation customers with core mitigation benefits available on the PGT pipeline; (4) make available to the market any interstate capacity that core aggregators are offered but do not use; (5) recover from core transportation customers the cost of unbrokered interstate capacity resulting from this filing, through a surcharge of \$0.019 per therm (PG&E will absorb any transition costs above \$0.019 per therm); (6) provide a credit of \$0.0095 per therm from PG&E shareholders to core aggregators, until January 1, 1998; and (7) make accounting changes necessary to allocate interstate pipeline costs between PG&E's core procurement and core transportation customers.

In its original application, PG&E asked that core mitigation benefits (Item (3) above) be credited to core aggregators, and that the \$0.0095 per therm credit (Item (6) above) be given to core transportation customers. In the amended application, the beneficiaries of the two items are switched, in order to comply with a recent Federal Energy Regulatory Commission (FERC) order. On September 11, 1996, FERC approved a contested settlement which requires that PG&E flow certain PGT core mitigation benefits to core customers.¹ PG&E will pass these benefits along to all core transportation customers through monthly billing credits.

¹ Docket Nos. RP94-149-000 et al., 76 FERC ¶ 61,246, p. 10 (1996).

PG&E claims that Commission approval of this application will not affect any customers except core transportation customers. Transition costs from earlier unbundling will not be imposed on core procurement or noncore customers. To the extent that the \$0.019 per therm core transportation surcharge does not recover the full amount of transition costs accrued in 1997, PG&E will absorb the difference. The \$0.0095 per therm credit from PG&E to core aggregators is intended to promote participation in the core transportation program.

We will approve PG&E's uncontested request, in order to improve customer choices within the core aggregation program. Core customers should have the same opportunity as noncore customers to participate in competitive markets. As the Commission recognized in D.95-07-048, this action may not improve system efficiency in the short run but will treat core transportation customers fairly and will improve long term system planning by utilities.² The various transition cost protections and shareholder credits will adequately protect core customers that do not take service from core aggregators.

Findings of Fact

1. Notice on this matter appeared on the Commission's Daily Calendar on February 21, 1997, and no protest has been filed; a public hearing is not necessary.
2. Unbundling interstate transportation costs from core rates will improve customer choices within PG&E's core aggregation program.
3. The amended application is reasonable.

Conclusions of Law

1. The amended application is consistent with a September 11, 1996, FERC order that requires PG&E to pass through core mitigation benefits to core customers.
2. The amended application should be approved.

² D.95-07-048, at mimeo. p. 24 (1995).

3. This order should become effective today, to allow prompt implementation of PG&E's 1997 core unbundling program.

O R D E R

IT IS ORDERED that:

1. Amended Application 96-09-029 is approved.
2. Within 15 days of the effective date of this decision, Pacific Gas and Electric Company may file revised tariff sheets which implement the amended application.
3. The revised tariff sheets shall comply with General Order 96-A and shall become effective July 1, 1997. The revised tariffs shall apply to service rendered on or after their effective date.
4. This proceeding is closed.

This order is effective today.

Dated May 21, 1997, at Sacramento, California.

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners