

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Energy BranchRESOLUTION G-2685  
July 2, 1986

## RESOLUTION

SOUTHERN CALIFORNIA GAS COMPANY (SoCal Gas) ORDER AUTHORIZING  
THE INTRODUCTION OF A NEW GAS TARIFF SCHEDULE NO. GST-2,  
SHORT-TERM TRANSPORTATION OF CUSTOMER-OWNED NATURAL GAS FOR  
ENHANCED RECOVERY (EOR).

By Advice Letter No. 1638-G, filed May 28, 1986, SoCal Gas submitted a new tariff Schedule No. GST-2 for Short-Term Transportation of Natural gas for EOR use.

The rapid decline in world oil prices has resulted in a demand for spot gas by means of transportation schedules. Gas remains the preferred fuel for the EOR market as long as it can be delivered at a price competitive with the crude oil alternative available to this market.

SoCal Gas proposes to offer short-term transportation service for a contract term of six months minimum and one year maximum. The volume of gas to be transported shall be equivalent to, or in excess of, a minimum of 250,000 therms per year to each customer's premises, when SoCal Gas has capacity available to transport the customer's gas. SoCal Gas will charge a monthly customer charge, per premises, at the customer's otherwise applicable rate schedule. In addition, the transportation rate is \$0.0350 per therm plus any applicable taxes, fees or surcharges imposed as a result of transportation of gas under this schedule. The fixed rate per therm is low enough to encourage the use of short-term transportation service, but high enough to obtain significant margin from the primarily incremental EOR load.

This Resolution is consistent with Commission Decision 85-12-102 which recognizes the unique circumstances represented by EOR service. It is also consistent with Commission Decision 86-03-57 which discusses competition from alternative fuels, unbundling of gas rates in response to the increased options available to gas users in today's fuel markets, and the authorization of Short-Term Gas Transportation.

This filing will not increase any rate or charge, cause the withdrawal of service nor conflict with any rule or schedule.

Public notification of this filing has been made by supplying copies of the filing to other utilities, governmental agencies, and to all interested parties who requested such notification.

A protest was received from Shell Oil Company (Shell), objecting to several provisions of the proposed EOR transportation schedule. While Shell states that it is pleased to see a reasonable transportation rate proposed, it objects to the rate of 3.5 cents/therm and to certain other provisions of the schedule. An analysis of Shells' objections by the Energy Branch Staff indicates that although the objections have some basis for further consideration, they do not in themselves seem to be serious enough to prevent approval of the transportation schedule as filed, for the short term, recognizing that the issue of natural gas transportation is still under review and consideration by the Commission.

SoCal Gas responded to Shell's protest on June 26, 1986, and identified four items of protest to Advice Letter No. 1638 with its response to each, as follows:

1) the 3.5 cents per therm transportation fee; 2) provisions which require maximum utilization of exchange agreements before use of transportation services; 3) the price at which SoCal Gas would purchase overdeliveries of transportation gas; and 4) the price to be paid by SoCal Gas for gas diverted under emergency conditions to meet high priority requirements.

SoCal Gas believes that a short-term EOR transportation rate of 3.5 cents per therm is appropriate by their interpretation D. 85-12-102 and D. 86-03-057. Short-term transportation does not mean interruptible transportation. Short-term transportation has equal priority of service with long-term transportation, and no curtailment is anticipated in the near future.

On the second item of protest, shell says, "the Commission should recognize the separateness of exchange agreements and transportation service." SoCal Gas believes that if transportation customers could use transportation before exchange, it could obligate SoCal Gas to purchase greater amounts of exchange gas. Since exchange gas is in many cases priced above SoCal Gas' system average cost of gas, Shell's proposal could increase average costs for other customers.

The third item of protest concerns the cost of purchasing overdeliveries of gas. Shell claims that the provision of section 2.04 allowing utilities to purchase excess transportation gas delivered to the utility system at the lesser of the customer's gas cost or the utility's lowest cost of gas imposes too severe a penalty on transportation customers.

Shell proposes that the utility purchase such gas at the lesser of the customer's cost or 90% of the utility's system average cost. SoCal Gas disagrees and believes the customer, not the utility, should bear the risk and the cost of not being able to use all the gas he buys.

The fourth item of protest deals with the reimbursement for diverted gas which SoCal Gas may use to meet high-priority requirements. Shell claims that transportation customers should be reimbursed for additional expenses which occur as a result of the diversion of gas. SoCal Gas believes transportation customers should present their claims for any additional costs of the sort Shell describes to the Commission for resolution. SoCal Gas further believes there is no need to deal with this matter specifically in the service agreement.

The Public Staff has reviewed this advice letter filing and has not protested its provisions.

We find this new rate schedule to be just and reasonable as a temporary measure until the end of 1986. The Commission will reexamine the appropriateness of Schedule GST-2 before December 31, 1986 to determine the appropriateness of EOR rates in general.

THEREFORE

1. Southern California Gas Company is authorized to provide short-term transportation service for Enhanced Oil Recovery customers under its new tariff Schedule No. GST-2.
2. Advice Letter No. 1638-G is approved for a six month term until December 31, 1986. The Commission reserves the right to examine this Schedule at any time to determine the appropriateness of this transport service rate for EOR.
3. The Commission shall be kept informed of all contracts with EOR customers and notified of the margin contribution secured from each contract. This information shall be sent to the Executive Director with a copy to the Chief of the Fuels Branch of the Public Staff Division.

4. This advice letter and tariff sheets shall be marked to show that they were accepted for filing by Commission Resolution G-2685. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular scheduled meeting on July 2, 1986. The following Commissioners approved it:



Executive Director

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners