

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 \_\_\_\_\_ to Executive Director

RESOLUTION NO. G-2689

LEGAL DIVISION

Date: July 16, 1986

R E S O L U T I O N

\_\_\_\_\_ Director  
 \_\_\_\_\_ Numerical File  
 \_\_\_\_\_ Alphabetical File  
 \_\_\_\_\_ Accounting Officer

**SUBJECT:** A Resolution Expressing The Sense Of State Regulatory Commissions That The Federal Energy Regulatory Commission Should Refrain From Certificating Natural Gas Facilities Or Services Which Would Bypass Local Distribution Companies Over The Objections Of State Regulatory Commissions.

WHEREAS, the local distribution of natural gas to consumers situated within a state is a matter of purely local concern; and

WHEREAS, under Section 1(b) of the Natural Gas Act, 15 U.S.C. §717(b), the provisions of the Natural Gas Act apply to the sale for resale and transportation of natural gas in interstate commerce, "but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution"; and

WHEREAS, the several states presently exercise their jurisdiction to regulate the local distribution of natural gas within their respective states, along with all facilities related thereto; and

WHEREAS, the states' regulation of the local distribution of natural gas is increasingly being compromised by certain policies of the Federal Energy Regulatory Commission which seek to encourage increased competition in natural gas markets, specifically those policies which facilitate the entry of pipelines into new markets, including those currently served by state regulated local distribution companies; and

WHEREAS, the combined effect of the aforementioned Federal Energy Regulatory Commission policies, both as expressed in Order

No. 436 in Docket No. RM85-1-000 and in other Commission orders granting certificates of public convenience and necessity under Section 7 of the Natural Gas Act, is to encourage the construction of new pipelines and the introduction of new gas transportation services by pipelines which may provide service directly to an end-user of natural gas, thereby "bypassing" the local distribution company which had previously served the end-user; and

WHEREAS, the bypass of local distribution companies and their facilities may adversely affect the cost and quality of natural gas service for remaining customers of the local distribution companies; may undermine the ability to state regulatory commissions to fulfill their state constitutional and statutory duties to assure just and reasonable natural gas rates and service for all the citizens of their respective states; and may interfere with the operation of the facilities of the local distribution companies, which facilities were authorized and constructed for the benefit of all the citizens of the respective states; and

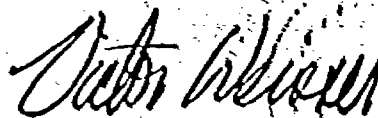
WHEREAS, the protection of all citizens from the adverse consequences of such bypass is of vital concern to the several states; and

WHEREAS, the various state regulatory commissions are best able to evaluate the impact of bypass on the local distribution of natural gas within a state, and thus to judge whether such bypass interferes with the recovery of the cost of local distribution facilities within the several states from the customers for whom said facilities were built and to whom they currently provide service;

IT IS RESOLVED THAT:

1. It is the sense of the several state utility regulatory commissions that the Federal Energy Regulatory Commission should refrain from certificating new proposed pipeline facilities or new proposed gas transportation service over the objection of a state utility regulatory commission, whether such certificate is sought under Section 7(c) of the Natural Gas Act or under the optional expedited certificate procedures of Subpart (e) of Part 157 of the Commission's regulations;
2. The Executive Director of this Commission shall certify this resolution and shall forthwith cause it to be delivered to the National Association of Regulatory Utility Commissioners and thence to the Federal Energy Regulatory Commission; and
3. Because it is necessary for the Federal Energy Regulatory Commission to be promptly informed of the sense of the state regulatory commissions, this resolution is effective today.

I hereby certify that this resolution was adopted by the Public Utilities Commission of the State of California at its conference on July 16, 1986. The following Commissioners approved it.



A handwritten signature in cursive script, appearing to read "Victor Wilson", is written over a faint circular stamp.

Executive Director

DONALD VIAL  
President

VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
Commissioners