

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy BranchRESOLUTION G-2718
March 6, 1987R E S O L U T I O N

PACIFIC GAS AND ELECTRIC COMPANY (PG&E) ORDER AUTHORIZING APPROVAL FOR MODIFICATION OF AN AGREEMENT FOR SHORT-TERM TRANSPORTATION SERVICE OVER PG&E FACILITIES FOR PACIFIC INTERSTATE TRANSMISSION COMPANY (PITCO).

SUMMARY

By Advice Letter No. 1395-G filed January 23, 1987, Pacific Gas and Electric Company (PG&E) has submitted a request to modify an agreement between PG&E and Pacific Interstate Transmission Company (PITCO) for the transportation of gas owned by PITCO. Commission approval of this agreement is being sought because PITCO will have title to the gas being transported. PG&E requests this authorization on regular 40 day notice.

BACKGROUND

1. The attached agreement with PITCO is on the same terms as an earlier contract between PG&E and PITCO that was filed through Advice No. 1375-G, and subsequently approved through Commission Resolution G-2698 on September 17, 1986.
2. The only differences between the attached contract and the now expired agreement approved in Resolution G-2698 are as follows: 1) in Article I, the expiration date of the new agreement is September 30, 1987, and 2) in Article III, the re-delivery point (between Southern California Gas and PG&E) has not been limited to valve 0.24 on PG&E's gas transmission line 300B, but in the attached agreement, may also be tendered "...[at] such other re-delivery point as may be mutually agreed between SoCal Gas and PG&E.
3. Commission approval of this agreement is being sought because there is no existing tariff applicable to such transport.

DISCUSSION

1. The agreement not only accommodates PITCO and Southern California Gas Company (SoCal), but also benefits SoCal's rate-payers; it is an alternative means of obtaining gas that SoCal would secure through PITCO in any event.

PG&E's ratepayers will also benefit because the transported gas will be moved through lines with available capacity, yielding contributions to fixed costs that would have otherwise not been earned.

2. The transport rate charged PITCO shall be 2.428 cents per therm, plus 4.4 percent for fuel use and line losses. PG&E will be required to report the volumes of gas transported and the contribution to PG&E's fixed costs. This report shall be sent to William Stalder, Chief of the Fuels Branch, of the Public Staff Division.

3. Public notification of this filing has been made to other utilities and to all interested parties who requested such notification, and no protests have been received.

PROTEST AND COMMENTS:

1. Shell Canada Limited (Shell) protested the PITCO agreement on the basis that the proposed transport rate of 2.428 cents per therm (plus 4.4%) is too high for inter-utility transport. The staff of the E&C Division has determined that this rate is reasonable and was recently approved for the original PG&E/PITCO contract in Resolution No. G-2698, dated September 17, 1986.

2. The Public Staff Division (PSD) supports this PG&E request and recommends that the Commission approve the advice letter.

3. PSD states that this agreement allows Southern California Gas Company (SoCal) an alternative routing for an additional 60MMcf/day of Canadian gas obtainable by PITCO to enter SoCal's market. The rate set for PITCO transportation on Pacific Gas Transmission (PGT) is also consistent with PGT's rate design proposal in their pending FERC 7c applications and 436 Open Access application. PG&E's ratepayers will directly benefit from this agreement via the contribution to margin of 2.428 cents per therm charged for inter-utility transportation.

4. El Paso Natural Gas Company (El Paso) comments on this advice letter by stating that it does not oppose this request so long as the Commission requires PG&E to collect the applicable fully allocated charges on the PGT system for the transportation service provided. As the Commission has decided in Resolutions G-2703 and G-2704, third-party gas transported on the PGT system should be charged the fully allocated cost of transportation on that system.

5. El Paso concludes its comments by stating that while there may be unique circumstances associated with charges for PITCO, given its special relationship with PGT and the "pre-build" of the western leg of the Alaska gas transport system, the Commission should require in approving this advice filing that PG&E treat this transaction as nearly equivalent as possible to all other third-party shipments on PGT.

FINDINGS

1. This filing is in accordance with Section VI of General Order No. 96-A and Section 532 of the Public Utilities Code.
2. This advice letter filing presents a just and reasonable Inter-utility Exchange Agreement, and will yield a contribution to fixed costs that would not otherwise be earned.
3. This agreement between PG&E and PITCO has been approved previously in concept and for the transportation rate, by Commission Resolution No. G-2698 on September 17, 1986.
4. Final rates for interutility natural gas transportation are currently pending issuance in I-84-04-079.

THEREFORE:

1. Pacific Gas and Electric Company is authorized under Sections 454 and 532 of the Public Utilities Code to enter into a short-term transportation agreement with PITCO until September 30, 1987, or the effective date of the order setting interutility transportation rates in I-84-04-079, whichever is earlier.
2. Pacific Gas and Electric Company will file a report with this Commission stating the volumes of gas transported and the contribution to margin gained from this agreement.
3. This Advice Letter and Renewal Agreement shall be marked to show that they were accepted for filing by Commission Resolution No. G-2718.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 6, 1987. The following Commissioners approved it:



Executive Director

I abstain.

G. Mitchell Wilk, Commissioner

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
Commissioners