

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Energy BranchRESOLUTION G-2731  
June 15, 1987.R E S O L U T I O N

ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY (PGE) TO PROVIDE FOR A STANDBY SURCHARGE APPLICABLE TO ALL FIRM GAS TRANSPORTED UNDER LONG- AND SHORT-TERM SCHEDULES GC-2, GC-4, G-85, G-87, AND G-88 VIA EL PASO NATURAL GAS COMPANY (EL PASO) AND TO ELIMINATE SCHEDULE GC-5, SHORT-TERM TRANSPORTATION FOR ENHANCED OIL RECOVERY CUSTOMERS, BY ADVICE LETTER NO. 1410-G FILED MAY 8, 1987.

SUMMARY

Pacific Gas and Electric Company (PGE) requests Commission authorization to pass through a standby surcharge of 0.297¢ per therm. This surcharge applies to all firm, non-incremental gas transported to long- and short-term customers under Schedules GC-2, GC-4, G-85, G-87, and G-88 via the El Paso Natural Gas Company (El Paso) system, except as otherwise provided in the revised tariffs.

PG&E has been billing its customers this FERC authorized surcharge on a current basis since March 1, 1987, and customers have been paying these bills since then. No increases or decreases in the total rate paid by the customer have occurred; the only change has been the rate itemization.

PG&E also requests authorization to eliminate its Schedule GC-5 -- Short-Term Transportation for Enhanced Oil Recovery (EOR) Customers, since there are no customers currently taking service under this schedule.

BACKGROUND

1. On February 10, 1986, El Paso filed revised tariffs requiring a Standby Charge-Interruptible Service of 0.297¢ per therm applicable to all firm gas transportation. The revised tariffs became effective March 1, 1987 in compliance with Federal Energy Regulatory Commission (FERC)

Order No. 436 and the FERC's order approving the offer of settlement in FERC Docket No. RP 86-45-000.

2. FERC Order 436 ruled that a pipeline could charge no more than its fully allocated transmission rate for transportation of gas to customers. Before this ruling, El Paso charged all firm, non-incremental customers a transportation "displacement" rate of 1.954¢ per therm to move gas to the California border. El Paso charged its incremental customers 1.657¢ per therm, which was otherwise termed the fully allocated transmission rate.

3. To reconcile the fully allocated transmission rate ruling with the additional costs of firm demand placed on El Paso by non-incremental gas customers, FERC split El Paso's "displacement" rate of 1.954¢ per therm into two components: a transportation charge of 1.657¢ per therm and a Standby Charge-Interruptible Service of 0.297¢ per therm. The total transportation rate for firm, non-incremental gas delivered to the California border is still 1.954¢ per therm.

4. Pacific Gas and Electric Company Long- and Short-Term Schedules GC-2, GC-4, G-85, G-87, and G-88 serve firm, non-incremental gas customers within PG&E's service territory. These schedules contain the following provisions: "added to your transport charge will be any applicable taxes and/or fees."

5. Under the new FERC ruling, the 1.657¢ per therm transportation charge is paid by all gas transportation customers within PG&E service territory. El Paso bills PG&E the 0.297¢ per therm standby charge for all transportation volumes displacing El Paso sales gas, whether it is PG&E's or another California customer's gas. The firm, non-incremental customer is not billed this charge. The direct El Paso-to-PG&E billing will continue until this Commission addresses the issue of firm interstate pipeline capacity in OII 87-03-036 (page 5).

6. Decision 86-12-009, dated December 3, 1986, provides for separately negotiated contracts with each EOR customer, eliminating the need for the Short-Term Transportation Schedule GC-5 for such customers.

#### PROTESTS

1. Protests were received from Mock Resources Inc. (Mock) and National Refractories and Minerals (National Refractories). Both protests state: "[A]lthough no net change in the end-user's total cost of transportation results from the unbundling of El Paso's transportation rate

into a standby charge and a transportation charge, the imposition of a standby charge - and its flow-through to the utilities' transportation customers - highlights a significant inequity in the utilities' rate designs."

2. "The standby charge is little more than the price paid by the utilities to maintain a 'call' on El Paso's system for firm sales service. In times of capacity shortages, however, interruptible transportation customers do not have any assurance that they will receive firm sales service from El Paso or the utility. For this reason, the standby charge should not be borne by the utilities' interruptible transportation customers."

3. Both conclude, stating: "...the issue of allocating the cost of the utilities' maintaining 100% of the firm capacity rights on the interstate pipelines should be addressed immediately...The utilities should not be permitted to continue to charge their interruptible transportation customers for a 'standby' service that is provided for high-priority customers without relinquishing firm capacity rights. Under the ... cost-based rate design framework, low-priority transportation customers should not bear the costs associated with utility service to high-priority customers."

#### PG&E'S RESPONSE TO THE PROTESTS

1. PG&E, in response to Mock and National Refractories, states: "[T]hese parties protest that the standby charge portion of the... El Paso... transportation rate is not applicable to interruptible transportation customers. In response, PG&E rebuts that El Paso's transportation rates, including the standby charge, have been found to be just and reasonable by the FERC in its order of approval in Docket RP86-45 (RP 86-45-000)."

2. PG&E continues, stating: "[A]s explicitly stated in Schedule G, Section 3.3 (p.221) of the El Paso tariff sheets, the standby charge applies to interruptible service. The standby charge is billed to sales customers to compensate El Paso for maintaining back-up sales service in the event they need to swing back to sales service from firm or interruptible transportation service. Because the sole beneficiaries of such a standby service are transporters, the utility is assessing the standby charge on transporters. Transporters will be kept 'whole' in the sense that the sum of the transportation charge (T-1) and the standby charge in RP 86-45 equal the previous displacement transportation rate (T-2) of 1.954¢ per therm."

3. "Interruptible transportation customers can apply to El Paso Natural Gas Company for an exemption from the standby charge if they meet the criteria outline in Schedule G, Section 3.3 of the El Paso tariffs."

DISCUSSION

1. The main purpose of PG&E's advice letter filing is to clearly identify the unbundled transportation rate in the body of the tariff sheets for its customers.
2. The firm, non-incremental customer transporting gas through El Paso into PG&E's pipeline system is no longer directly billed for the surcharge imposed by El Paso for delivery. PG&E is billed the surcharge. If PG&E does not pass through the surcharge to its firm, non-incremental customers who incur the costs, these costs will be borne by PG&E's other customers.
3. Long- and Short-Term Schedules GC-2, GC-3, G-85, G-87, and G-88 currently provide for such a surcharge with a clause that states: "added to your transport charge will be any applicable taxes and/or fees."
4. As also found under El Paso's Rate Schedule G, PG&E's proposed rules for exemption from the surcharge under each schedule are: (a) any new service, whether served directly or indirectly by the Utility on or after July 1, 1985; or (b) any customer who has been utilizing alternate fuel for the last twelve (12) months and would remain on alternate fuel absent the availability of transportation service; or (c) any customer that is equipped to burn natural gas but has not burned gas, or any other fuel during the last twelve (12) months and would not burn gas absent the availability of transportation service; or (d) any customer who is or would be served by another supplier.
5. PG&E also proposes to include El Paso's Rate Schedule G language requiring "any customers qualifying for an exemption [from the surcharge] to file an affidavit with both El Paso Natural Gas Company and Pacific Gas and Electric Company demonstrating to their satisfaction that the transportation is to be utilized for one or more of the services identified under the special conditions."
6. The Evaluation and Compliance Division (E&C) has reviewed this advice letter filing and has no objection to PG&E's proposal. We were concerned with the fact that PG&E was not timely in its filing, but subsequently learned that

PG&E only received notice of the El Paso tariff in mid-April.

7. The Public Staff Division (PSD) has no objections to revised tariff sheets.

8. Since the EOR Schedule GC-5 for Short-Term Transportation no longer has any customers, and since these EOR customers now are handled by separately negotiated contracts, the Evaluation and Compliance Division has no objections to the elimination of this schedule.

#### FINDINGS

1. The Standby Surcharge of 0.297¢ per therm is a component cost already paid by non-incremental gas transportation customers of Pacific Gas and Electric Company. Its itemization within the body of tariff Schedules GC-2, GC-4, G-85, G-87, and G-88 will serve to identify the costs paid by the customer.

2. The conditions for exemption as provided on the tariff sheets replicate those published under El Paso's Rate Schedule G for California Service.

3. Language in the body of the current tariff sheets serves to forewarn customers that "added to your transport charge will be any applicable taxes and/or fees."

4. We will permit the surcharge to be effective March 1, 1987 to prevent unfair allocation of the charges from El Paso over PG&E Gas' other customers.

5. EOR customers previously served under Schedule GC-5, now have separately negotiated their service under contract with PG&E. There is no longer a need for this schedule.

We find that the rates, charges and conditions of service authorized in this Resolution are just and reasonable; therefore,

#### IT IS ORDERED that:

1. Pacific Gas and Electric Company be authorized to require a standby surcharge of 0.297¢ per therm to all gas customers receiving gas transported under Schedules GC-2, GC-4, G-85, G-87, and G-88 via the El Paso Natural Gas Company system, except as otherwise provided in the revised tariffs.

2. PG&E be authorized to eliminate Schedule GC-5, Short-Term Transportation for Enhanced Oil Recovery Customers.

3. This advice letter and tariff sheets shall be marked to show that they were accepted for filing by Commission Resolution G-2731.

4. The effective date of this authorized surcharge and the applicable tariff sheets will be March 1, 1987.

I certify that this Resolution was adopted by the Public Utilities Commission at its regularly scheduled meeting June 15, 1987. The following Commissioners approved it:



Executive Director

STANLEY W. HULETT  
President  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.