

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION G-2807
AUGUST 24, 1988

R E S O L U T I O N

ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY (PG&E) TO ENTER INTO LONG-TERM CONTRACTS FOR NATURAL GAS TRANSPORTATION WITH FIVE ENHANCED OIL RECOVERY (EOR) CUSTOMERS IN KERN COUNTY; ADVICE LETTER NO. 1471-G FILED JUNE 28, 1988.

SUMMARY

1. PG&E seeks approval to enter into fifteen year contracts with five EOR customers, under similar terms and conditions as prior contracts approved by the Commission. Masonite Corporation, a wood products manufacturer, has protested the advice letter. PG&E's request is consistent with the Commission policy toward long-term EOR contracts as set forth in Decision 86-12-009, and is therefore, approved.

BACKGROUND

1. By Advice Letter 1471-G, filed June 28, 1988, PG&E seeks approval of long-term gas transportation contracts with the following five EOR customers, all located in Kern County California: Kern Bluff Ltd.; Live Oak Ltd.; Badger Ltd.; Granite Road Ltd.; and Bear Mountain Ltd..

2. Each of the contracts contains the following terms and conditions:

- a. DURATION: 15 years, with possible revision of rates and charges every five years.

- b. VOLUMES: 125,000 therms per day maximum with no take-or-pay requirements.
- c. CHARGES: A \$1,200 monthly customer charge, a monthly volumetric rate of \$0.037 per therm; a 2¢ in-kind payment for fuel use and line losses, and a gathering charge for gas produced in PG&E's territory as set by the CPUC (currently \$0.034 per therm).
- d. PRIORITY OF SERVICE: Curtailed pro-rata with customers of equivalent priority classification and paying the same priority charge; furthermore, customers gas may be diverted to satisfy P1 and P2 demand in the event of a supply emergency.
- e. ESCALATION: Sixty percent (60%) of each of of the revenue charges shall be adjusted annually by positive changes in the GNP price deflator.

3. These terms are very similar to three EOR contracts approved by the Commission in Resolution G-2765 on December 13, 1987.

4. Masonite Corporation, a wood products producer, protests PG&E's filing by letter received on July 18, 1988. Masonite seeks rejection of the EOR contracts because PG&E has not offered Masonite the same rates as it has negotiated with EOR customers. Masonite believes it is a similarly situated customer to EOR customers, because it represents incremental business, has similar cost of service characteristics, and has viable alternative fuel capabilities. Masonite also asks for the rejection of EOR contracts until the Commission determines the ability of long-term transportation agreements to provide service and benefits to the utility system.

5. The Division of Ratepayer Advocates (DRA) filed comments on July 20, 1988. It believes the contracts are consistent with the policies set forth in D.86-12-009 for EOR transportation service. DRA asks that PG&E be reminded that it is at risk for costs of capacity expansion allocated to non-core customers under D.86-12-009 (page 68). DRA is also concerned with the priority designation of EOR customers as P4.

6. PG&E answered Masonite's protest by letter dated August 1, 1988. PG&E states that the contracts conform with the

requirements of the Commission, are virtually identical to contracts recently approved by the Commission, and that Masonite's concerns should have been raised in a different proceeding.

DISCUSSION

1. Masonite's protest of these EOR contracts does not provide an appropriate basis for rejecting PG&E's advice letter. The protest is in essence a protest of our gas industry restructuring Decisions. These decisions provide a sound basis for achieving ratepayer benefits from long-term EOR contracts and adequate rate protection for all customers.

2. DRA's comments and concerns are relevant. PG&E remains on notice of its obligations under D.87-12-009 for recovering costs of capacity expansions. The priority of service provisions within the contracts are sufficiently broad to accommodate further clarification or more detailed specifications which the Commission may in the future find to be useful and beneficial.

FINDINGS

1. PG&E's Advice Letter 1471-G, seeking approval to enter into long-term (15 year) contracts with five EOR customers conforms with Commission policies and decisions with regard to EOR service.

2. These EOR contracts are similar to contracts recently approved by the Commission in Resolution G-2765 (December 13, 1987).

3. Masonite Corporation's protest of these contracts is inappropriate, and is denied.

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized under the provisions of Public Utilities Code Sections 491 and 532, to enter into the agreements with Kern Bluff Ltd., Live Oak Ltd., Badger Ltd., Granite Road Ltd., and Bear Mountain Ltd., for the transportation of natural gas as submitted by Advice Letter 1471-G.
2. PG&E remains on notice of its obligations under D.87-12-009 for recovering costs of

capacity expansions.

3. PG&E shall be required to furnish data to establish the volumes, prices, and priority used for these contracts, and the contribution to margin from these contracts annually, and at the time of each revision in the transportation rates, beginning sixty (60) days after the first such revision in rates. This information shall be sent to the Chief of the Energy Branch, Commission Advisory and Compliance Division.
4. Advice Letter 1471-G and the accompanying agreements shall be marked to show that they were approved by Commission Resolution G-2807.
5. This Resolution shall be served on all parties to the Commission's Rate Design proceedings in OII 86-06-005 and OIR 86-06-006.
6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 24, 1988. The following Commissioners approved it:

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director