

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISIONRESOLUTION G-2849  
January 27, 1989

Energy Branch

R E S O L U T I O N

RESOLUTION G-2849, PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AND SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) ORDER AUTHORIZING A MUTUAL ASSISTANCE AGREEMENT FOR GAS SERVICE UNDER CONDITIONS OF CURTAILMENT;

BY ADVICE LETTER 1513-G, FILED DECEMBER 14, 1988 (PG&E) AND BY ADVICE LETTER 1837, FILED DECEMBER 16, 1988 (SOCAL).

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SUMMARY

1. PG&E and SOCAL have negotiated an emergency assistance agreement (Agreement) to protect service to high priority customers by sharing gas supplies in emergencies.
2. This Resolution authorizes PG&E and SOCAL's joint request for approval of the Agreement.

BACKGROUND

1. Prior to May 5, 1988, PG&E and SOCAL had an agreement to provide each other with gas service in the event of emergencies. The agreement was known as the General Service Mutual Assistance Agreement (GSMAA) and was initially authorized in 1979 by Resolution G-2274. The agreement included a provision for termination. PG&E exercised that option and terminated the agreement on May 5, 1988.
2. The GSMAA was a broad agreement covering normal business arrangements for the exchange of gas between PG&E and SOCAL as well as emergency situations. When the GSMAA was terminated, Southwest Gas Corporation (Southwest) was impacted.
3. PG&E serves gas to Southwest by exchange over SOCAL's pipelines. The gas that Southwest receives from SOCAL at two exchange points known as the "Victorville Tap" and the "Apple Valley Tap" is redelivered to SOCAL by PG&E at a location known as "Kern River".

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3. Without the GSMAA, Southwest's deliveries from SOCAL were in limbo. To fix this problem, PG&E asked SOCAL to continue to serve Southwest on a temporary basis. SOCAL agreed and filed an interim agreement by Advice Letter 1803. Our Resolution G-2812, dated September 28, 1988, approved the interim agreement. This resolved the immediate problem of normal business deliveries. During discussions with the staff, the utilities have indicated that a general agreement to deal with normal deliveries and exchange is being considered.

4. SOCAL's Advice Letter did not, however, address emergencies. Ordering paragraphs 2 and 3 of Resolution G-2812 directed renegotiation of the GSMAA, as follows:

2. Southern California Gas Company and Pacific Gas and Electric Company shall renegotiate a General Service Mutual Assistance Agreement within sixty (60) days of this resolution.
3. If an agreement cannot be made within sixty days of this resolution, both companies shall advise the Executive Director and CACD. The Commission reserves the right to compel SoCal and PG&E to convene negotiations under the direction of the Commission.

5. PG&E submitted a letter for both companies, dated November 28, 1988, indicating that an agreement had not been reached. The companies expressed their belief that negotiations would be successfully completed in the very near future. They also expressed their intent to submit a final agreement no later than December 8, 1988. By subsequent correspondence dated December 8, both utilities indicated that, although an agreement had not yet been reached, an agreement was anticipated in the near future.

6. On December 14 and 16, 1988, respectively, PG&E and SOCAL submitted the Agreement.

#### DISCUSSION

1. PG&E and SOCAL, in partial compliance with Commission Resolution G-2812, have negotiated an Emergency Assistance Agreement to share gas supplies to alleviate shortages. The Agreement defines the circumstances under which emergency gas can be requested, how payment is to be made, the locations of delivery points, and the term of the agreement. This emergency gas is referred to as "Protection Gas" in the Agreement.

2. The circumstances under which each party may request Protection Gas from the other occurs when demand for gas from customers without alternate fuel capability (customers in Priorities 1 and 2A) exceeds available supplies.

3. In general, Priority 1 (P-1) includes all residential customers. It also includes other customers with a peak day use of less than 100,000 cubic feet (100 Mcf). Priority 2A (P-2A) customers are those who use gas as a feedstock or have other nonresidential uses exceeding 100 Mcf per day, where the use of a feasible non-gaseous alternative fuel is not possible. P-2A also includes uses with specific Commission approval and electric utilities' start-up and igniter fuel. Customers in lower priorities, such as P-2B, P-3, etc. generally have alternate fuel capability or have been excused from such alternate fuel capability by Commission action.

4. Before either utility can request Protection Gas, there are several conditions that must be fulfilled. These include:

- o Purchasing all available gas whose price does not exceed 300% of the supplying utility's noncore procurement portfolio price,
- o Maximizing withdrawal from gas storage,
- o Curtailment of noncore and core-elect procurement portfolio customers except where such curtailment would endanger the customer's health or property,
- o Requesting a Commission acknowledgement of a state of emergency,
- o Diverting all available storage, transport and exchange gas,
- o Urging customers to limit gas usage and to conform to tariff provisions prohibiting, curtailing, or conserving on gas use.

5. The supplying utility is required to exercise its best efforts to provide the requested volumes. Such efforts are limited, however, as follows:

- o The supplying utility is not required to curtail gas to customers with priorities higher than P-2B.
- o Purchase or production of gas is to be from qualified sources such as El Paso Natural Gas Company, California producers, suppliers unique to each company, PG&E's thermal power plants, and storage, transport, and exchange gas.
- o Neither utility is required to provide gas that might be needed to satisfy its own design day or planning year requirements. (A design day is an anticipated extremely cold day causing peak requirements for P-1 and P-2A customers and a planning year is a twelve month period that starts on April 1st during which purchases, deliveries, storage, and curtailments are equated.)

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6. Payments for Protection Gas are made based upon a four part schedule as follows:

- o The price per decatherm is based on the highest cost gas taken from any qualified gas source, including applicable demand and transportation charges.
- o Any lost incremental transportation revenue is to be recovered from the requesting utility.
- o The interutility transportation fee of the supplying utility is also applicable to the gas price.
- o An administrative fee of \$500 per day is charged for each day that Protection Gas is provided.

7. The term of the Agreement continues until terminated by either party on notice given ninety days before the beginning of any Planning Year (i.e. April 1st). It is also subject to approval and earlier termination by this Commission. However, the Agreement does not provide for notification to this Commission by either utility in the event that a utility decides to terminate. Such notification is desirable because it would alert the Commission to a lapse in the emergency supply relationship between PG&E and SOCAL.

8. In the event that Protection Gas is requested, the cost of such gas may exceed gas costs incurred during the normal course of business. Recovery of such costs would presumably depend upon subsequent Commission authorization. The Agreement provides that the supplying utility shall not be held liable to the requesting utility as a result of any disallowance of gas purchase costs or related expenses incurred nor in the requesting utility's proceedings before this Commission.

9. This filing will not increase any rate or charge, conflict with other schedules or rules, nor cause withdrawal of service.

10. Public notification has been made by supplying copies of these filings to other utilities and parties requesting notification of advice filings.

11. The agreement has been reviewed by CACD and is recommended for approval, because it establishes the framework for sharing gas supplies to protect service to high priority customers during emergencies.

#### PROTESTS

1. No protests have been received.

#### FINDINGS

1. The Agreement will provide the framework for sharing gas supplies between PG&E and SOCAL under emergency conditions.

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2. It is reasonable to authorize the Agreement to provide security of supply for PG&E's and SOCAL's Priority 1 and Priority 2A customers.
3. We find PG&E's and SOCAL's requests, by Advice Letters 1513-G and 1837, respectively, for authorization to enter into this Agreement, to be just and reasonable.
4. In the event that either party acts to terminate the Agreement, such action should include notification to this Commission.
5. PG&E and SoCal should continue their efforts to negotiate a General Service Mutual Assistance Agreement and should report on their progress to CACD in ninety days.

**THEREFORE, IT IS ORDERED that:**

1. Pacific Gas and Electric Company and Southern California Gas Company are authorized to enter into the Emergency Assistance Agreement under the provisions of Public Utility Code Section 532.
2. Pacific Gas and Electric Company and Southern California Gas Company shall file, in accordance with General Order 96-A, a revised List of Contracts and Deviations to include descriptions of the Emergency Assistance Agreement.
3. Advice Letter 1513-G of Pacific Gas and Electric Company and Advice Letter 1837 of Southern California Gas Company shall be marked to show that they were approved by Commission Resolution G-2849.
4. If Pacific Gas and Electric Company or Southern California Gas Company acts to terminate the Emergency Assistance Agreement, the terminating utility shall notify this Commission.
5. PG&E and SoCal will continue to negotiate a General Service Mutual Assistance Agreement and report to the Commission Advisory and Compliance Division in ninety days.

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PG&E & SOCAL/1513-G & 1837/jld

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6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 27, 1989. The following Commissioners approved it:

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



Executive Director

