

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2857
FEBRUARY 8, 1989

R E S O L U T I O N

RESOLUTION G-2857. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AND SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS). ORDER AUTHORIZING A SHORT TERM GAS LOAD BALANCING SERVICE AGREEMENT (AGREEMENT) BETWEEN BOTH UTILITIES.

BY ADVICE LETTERS 1516-G (PG&E) AND 1843 (SOCALGAS), BOTH FILED JANUARY 4, 1989.

SUMMARY

1. The Agreement would allow mutual benefits to PG&E and SoCalGas. PG&E would gain short term gas load balancing on SoCalGas' system. SoCalGas would use more of its system capacity without affecting current operations and also would earn revenue from PG&E's use of available storage space.

2. PG&E and SoCalGas' requests are granted conditionally, with a provision for reporting and for review of SoCalGas' revenues under the Agreement.

BACKGROUND

1. The purpose of these advice letter filings is to submit an agreement between PG&E and SoCalGas to provide protection to PG&E customers from the risk of supply curtailment during the winter season.

2. At times, SoCalGas can accept PG&E gas for temporary storage and return, due to the geographic location of the PG&E and SoCalGas service territories, transmission lines, supply sources, and storage fields.

3. PG&E and SoCalGas are requesting authority to enter into a Short Term Gas Balancing Service Agreement. This Agreement would provide PG&E with short term gas load balancing on SoCalGas' system. The initial term of the Agreement runs from the date of its approval by this Commission until July 31, 1989.

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Thereafter, the utilities agree to extend it each year unless terminated by either utility prior to July 1 of the ensuing term.

4. Under the Agreement, between November 1 and March 31 of the following year, PG&E may deliver up to 300 million cubic feet (MMcf) per day of gas that exceeds its system demands and that SoCalGas can accept. No more than 2 billion cubic feet (Bcf) of gas can be held for PG&E at any time.

5. The charge for the balancing service will be negotiated monthly. The floor charge shall be no less than 10 cents per decatherm (a decatherm equals, approximately, 1,000 cubic feet or 1 Mcf of natural gas). The ceiling price is not to exceed SoCalGas' fully allocated cost of service for storage facilities plus SoCalGas' interutility transportation rate under the utility's rate Schedule GIT. If PG&E delivers the gas for storage at the Kern River Station point of receipt instead of Topok at the California-Arizona border, PG&E will receive credit under its interutility transportation rate Schedule G-INT and a 1.9 percent fuel use compensation.

6. PG&E is to deplete all remaining gas under this Agreement by April 30 of each year or pay a penalty charge of \$0.20 per decatherm per month.

7. PG&E points out that its system would be at less risk for supply curtailment if this additional storage were available to them.

8. SoCalGas has assured the Commission Advisory and Compliance Division (CACD) that it would first serve its own customers before accommodating PG&E under this Agreement. Also, because long term storage by PG&E would interfere with other operations, SoCalGas claims that it would not renew the Agreement if it was used for long term storage.

9. The utilities have requested expedited approval of these filings under Section 491 of the Public Utilities Code. Their reason is that the proposed service, if authorized, will be exercised during the current winter period (i.e. PG&E needs to store gas before April 1 if it is to operate under the Agreement).

PROTESTS

1. Protests were filed by Salmon Resources Ltd. (Salmon) and Mock Resources, Inc. (Mock), the California Industrial Group (CIG), and the City of Long Beach. The protestants claim that

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the two utilities would circumvent provisions of Commission Decision 88-11-034, regarding storage banking rules.

2. The protestants also claim that the short term load balancing proposal offers more favorable terms of gas storage service to PG&E than it does to noncore customers and other brokers/marketers.

3. Finally, CIG is of the opinion that the Agreement will increase rates, cause withdrawal of service and conflict with other rate schedules. CIG's basis for these claims is that the cost incurred by PG&E under the Agreement will be included in the utility's commodity cost to the ratepayers and will increase the overall cost of gas to core and noncore procurement customers. Also, use of SoCalGas' storage capacity by PG&E will limit its availability to other SoCalGas customers.

4. PG&E argues in response to the protests that the Agreement differs from the Gas Storage Program under Decision 88-11-034, in that it is a short term, best efforts load balancing arrangement which provides an interutility assistance service to PG&E. PG&E represents that this type of service is an inherent part of transportation service provided by utilities. PG&E agrees that the costs of the Agreement will be included in its commodity costs and that such costs are equivalent to volumetric transportation costs included in the cost of delivering gas to the California border. Since the Agreement is for best efforts gas service, SoCalGas' operations will not be impacted.

5. PG&E also maintains that it will not use this extra capacity for gas banking operations in connection with brokering.

6. Comments regarding the Advice Letters were submitted by the Division of Ratepayer Advocates of the California Public Utilities Commission (DRA). DRA comments that the proposal is reasonable but that the Commission should have the opportunity to review the agreement after two years of pilot operation. DRA also states that documentation of the load balancing functions is needed, accounting for gas volumes and revenues.

DISCUSSION

1. Load balancing and storage banking are not the same service. Load balancing is intended to deal with short term, unplanned imbalances between the amount of gas a utility receives and the amount it delivers. Storage banking is used primarily for longer term, planned imbalances in order to maintain service reliability and to take advantage of favorable

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procurement and delivery opportunities. For these reasons, CACD believes the Agreement does not constitute storage banking and does not conflict with the Gas Storage Decision.

2. The Agreement, however, does resemble the gas storage decision's "as available" banking (D.88-11-034), in that it provides a remedial service under specific conditions. PG&E represents that the service will be used as needed. Given the short time remaining this winter season when this service would be used (February through April), CACD believes that Commission approval would not interfere with the Pilot Storage Program beginning April 1, nor that it would provide PG&E with any major monopolistic advantage for brokering.

3. For the purposes of short term load balancing and of meeting the utility's time constraints, CACD recommends that the Commission approve the Agreement conditionally, allowing load balancing to occur through March 31 with depletion of excess gas not to extend beyond April 30. At some later, less urgent time, the utilities should request the Commission review the allowed operation and reconsider full approval of the Agreement.

4. CACD concurs with DRA that the operation of this Agreement should be documented. This can be accomplished through monthly reports on volumes, rates, and payments by each utility. Reports should be submitted to CACD on a monthly basis between November 1 and April 30 of each year. Unless the Commission acts to extend the Agreement beyond this season, CACD recommends that this reporting requirement terminate on April 30, 1989.

5. SoCalGas has indicated that the revenues from the Agreement will be credited to its Interutility Transportation Account. In Decision 87-12-039, interutility transportation service revenues were credited to a revenue requirement where the utility was at risk to move the volumes related to the revenue. Although this service is an interutility arrangement using SoCalGas' Schedule GIT as a price component, revenues generated by the Agreement are not related necessarily to the interutility revenue account, because this service is intended to provide system load balancing not interutility transportation. For this reason, Agreement revenues should be placed in a memorandum account until their disposition can be addressed in SoCalGas' next Annual Cost Allocation Proceeding (ACAP).

6. CACD recommends approval of this Agreement because it will benefit PG&E's ratepayers at no cost to SoCalGas' ratepayers. The reporting requirements and memorandum account discussed above should be ordered so that the Commission may examine the reasonableness and determine the disposition of any revenue generated by the Agreement for SoCalGas. Likewise,

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PG&E's costs also should be subject to reasonableness review and adjudicated in its next ACAP, with a memorandum account tracking any amounts incurred.

7. Public review of the proposed Agreement is available at any time under the provisions of the Public Utilities Code, particularly Section 728, therefore, no special provision for review is required.

8. Public notification of these Advice Letters was made by each utility mailing copies to other utilities, interested parties and governmental agencies.

FINDINGS

1. The load balancing Agreement does not constitute storage banking and is not in conflict with D. 88-11-034.

2. The Agreement and the load balancing service merit observation for the duration of the current winter season.

3. The allocated 2 Bcf gas space is to be used as a load balancing ceiling and is not a storage target.

4. SoCalGas may derive revenue from this operation.

5. A monthly summary report of gas quantities stored, recalled, and billed under this Agreement should be submitted to CACD for the period November 1 through April 30 each year.

6. Revenues generated from the operation of the Agreement should be placed in a memorandum account for reasonableness review and ultimate disposition in SoCalGas' next ACAP.

7. Costs incurred from the operation of the Agreement should be placed in a memorandum account for reasonableness review and ultimate disposition in PG&E's next ACAP.

8. Except as noted above, the Agreement will not increase rates or charges nor cause withdrawal of service for any customers.

9. PG&E's and SoCalGas' requests, by Advice Letters 1516-G and 1843 respectively, for approval of a Short Term Gas Service Balancing Agreement are just and reasonable.

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THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to provide gas load balancing service to Pacific Gas and Electric Company for the duration of the 1988-1989 winter season, under the terms of the Agreement as requested by Advice Letters 1843 and 1516-G, respectively.
2. Both utilities shall maintain adequate records to track the cost, quantities and revenues generated by the Agreement.
3. Monthly summary reports of data recorded pursuant to Ordering Paragraph 2, above, for the period February 1 through April 30, 1989, shall be filed with the Commission Advisory and Compliance Division and shall be open to public inspection.
4. The load balancing service under this agreement shall not be used for brokering purposes and shall not interfere with storage banking services provided pursuant to Decision 88-11-034.
5. Southern California Gas Company shall record any revenues from the Gas Balancing Service Agreement in a memorandum account for reasonableness review and disposition in the utility's next Annual Cost Allocation Proceeding.
6. Pacific Gas and Electric Company shall record any costs from the Gas Balancing Service Agreement in a memorandum account for reasonableness review and disposition in the utility's next Annual Cost Allocation Proceeding.
7. Advice Letters 1516-G and 1843, and the accompanying Gas Balancing Service Agreement, shall be marked to show that they were approved conditionally by Commission Resolution G-2857.

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8. Pacific Gas and Electric Company and Southern California Gas Company shall file revised Lists of Contracts and Deviations, as provided for in General Order 96A, within sixty days of the effective date of this order.
9. Pacific Gas and Electric Company and Southern California Gas Company may submit Advice Letters after May 31, 1989 for Commission reconsideration of the Agreement, requesting full review of the 1988-1989 conditional load balancing service in conjunction with the Gas Storage Pilot Program.
10. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting on February 8, 1989. The following Commissioners approved it:

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



Executive Director