PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2908
February 23, 1990

RESOLUTION

RESOLUTION G-2908, PACIFIC GAS AND ELECTRIC COMPANY (PG&E) ORDER AUTHORIZING MINOR CHANGES TO SCHEDULE G-IB, NATURAL GAS PILOT PROGRAM FOR NON-CORE STORAGE SERVICE. BY ADVICE LETTER 1571-G FILED DECEMBER 29, 1989.

SUMMARY

1. On December 29, 1989 Pacific Gas & Electric Company filed Advice Letter 1571-G to comply with Decision (D.) 89-12-046 by modifying Schedule G-IB, *Natural Gas Pilot Program for Non-Core Storage Service*. Decision 89-12-046 made a few minor changes. The most significant of these changes is that brokers and marketers may now participate in the program on their own behalf, so long as the gas is consumed in California.

2. This resolution requires interest be paid on prepaid reservation charges.

BACKGROUND

1. The Pilot Storage Banking Program, adopted by D.88-11-034, was extended as a pilot program for another year by D.89-09-047. Adoption of the permanent program was delayed due to a lack of adequate experience with the current program (storage withdrawals had not begun yet) and also because the absence of firm interstate transportation appeared to have discouraged participation in the pilot program.

2. Decision 89-12-046 made slight changes to the pilot program and ordered PG&E and Southern California Gas Company (SoCal) to file tariffs to comply. The changes adopted include extended quarterly and monthly reporting, allowance of an as-available service at the option of the utility, the allowed participation of brokers and marketers on their own behalf, and extension of the pilot program without imposing the banking reservation fee on core-elect customers.

3. The advice letter filing will not increase any rate or charge, conflict with any rule or schedule, nor cause the withdrawal of service.

4. Advice Letter 1571-G was mailed to interested parties, other utilities and governmental agencies, in accordance with General Order 96-A, Section III, Paragraph G.

PROTESTS

1. Salmon Resources Ltd. and Mock Resources, Inc. (Salmon/Mock) protested PG&E Advice Letter 1571-G. Salmon/Mock objected to three elements of the filing:

(1) PG&E's proposal requiring brokers and suppliers which obtain banking service on their own behalf to "pay their entire Banking Reservation Fee prior to the beginning of the Banking Year (April 1)";

(2) PG&E's proposal to impose "standby charges" upon banking customers whose deposits are deficient; and

(3) PG&E's proposal to curtail banking withdrawals "if PG&E gas supplies in storage [are] more economic than the incremental sources of flowing supply."

3. Salmon/Mock assert that the foregoing proposals "are not supported by the Commission's underlying "storage banking" decisions and are not consistent with the Commission's effort to make storage banking a viable program to enhance transmission reliability for noncore customers."

4. PG&E responded to each of the elements protested by Salmon/Mock. PG&E states Salmon/Mock are correct that the Commission did not require any portion of the banking reservation fee be paid in advance by a broker or supplier. "Rather, the Commission recognized that nonpayment by a broker or gas supplier creates different difficulties for a utility than nonpayment by an end-user and suggested two acceptable alternatives as possible remedies:

> "[t]o improve their collections capabilities, the utilities <u>should</u> either require payment in advance or impose a penalty for nonpayment as DRA suggests." (D.89-12-046, p. 7, empahasis added.)

PG&E argues that Schedule G-IB is fully within the scope of the remedies suggested in D.89-12-046.

5. In response to Salmon/Mock's objection to standby charge language in the tariff, PG&E replies that "[a]lthough it is correct that the Commission has yet to approve standby charges, Salmon/Mock are wrong in requesting that this language be removed from PG&E's tariff. Decision 88-11-034 (Finding of Fact 37, p. 55-56) explicitly authorized application of standby charges to deficiencies in storage banking deposits once these charges are ultimately approved by the Commission." And further, Decision 89-02-068 (Conclusion of Law 6, p. 18) directed that:

> "[t]he LDC's banking tariffs <u>should indicate</u> that, upon Commission approval of standby service, the LDC may apply a standby charge whenever it chooses to deposit gas to a banking customer's account to bring that account within the 10 percent tolerance for imbalances." [emphasis added]

6. In response to the third issue, PG&E argues that Salmon/Mock is attempting to relitigate the issue of economic curtailment in its protest of the tariff language in Schedule G-IB. PG&E states that this issue is not the same as imposing a storage reservation fee on core-elect customers (the closest cost issue to curtailment addressed in the most recent storage decision), and cites D.88-11-034 (Finding of Fact 32. p.54), explaining the circumstances when economic curtailment is allowed:

> "Banking withdrawal capability may be constrained for two general reasons: (1) if drawing down the reservoir would eliminate the pressure necessary to sustain withdrawals under APD conditions; and (2) if total withdrawal capability were needed for the core portfolio because insufficient supply were delivered by PG&E interstate pipeline supply sources, <u>or LDC-owned gas in storage were more economic than incremental sources of flowing supply.</u>" [emphasis added]

<u>DISCUSSION</u>

1. By extending the pilot storage program for another year, the Commission's objectives were to continue the same program from last year and to include any small modifications or enhancements which could improve the program's operation. More controversial issues, such as charging the core-elect a reservation fee for gas in storage, were not considered.

2. PG&E has submitted revisions to Schedule G-IB, previously adopted by Resolution G-2874, and to Rule 14 - *Interruption or Curtailment of Natural Gas Service*. Primarily, these revisions add brokers and marketers to the program and prohibit banking under conditions of gas curtailment.

3. Salmon/Mock object to PG&E's provision that brokers and marketers pay the full amount of their reservation fee before the banking program begins. CACD believes the Commission offered the utilities a range of discretion on this issue. Southern California Gas Company (SoCal) has proposed language similar to PG&E, but requires brokers and marketers to pay twenty-five percent of the annual reservation fee prior to the commencement of the storage banking season, with the balance to be paid in twelve equal monthly installments. Regular, noncore banking customers are required to pay the reservation fee on a monthly basis, in twelve equal monthly installments.

4. Decision 89-12-046 suggests that the utilities "should either require payment in advance or impose a penalty for nonpayment" to improve their collections capabilities with brokers and marketers.(p. 7) The decision does not prescribe what the conditions of prepayments should be nor what an appropriate penalty would be for nonpayment. PG&E has elected to charge brokers and marketers the full reservation fee in advance. PG&E has exercised its rights by following the decision's suggestion literally.

5. However, neither PG&E nor SoCal propose to pay interest on these advance collections, a standard practice used with other utility advance deposits, such as for a new, residential customer. Although PG&E has complied with the decision, it has not extended interest to the advance reservation fee payments. CACD suggests that each banking customer's advance deposit of reservation fees accrue interest on the remaining average monthly balance, tied to the interest rate on three-month Commercial Paper, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

6. The two other issues raised by Salmon/Mock concerned PG&E's inclusion of language describing "standby charges" and economic curtailment. Both of these are valid issues, but are inappropriately raised in the context of PG&E's compliance filing, Advice Letter 1571-G. Standby charges will be addressed in the gas restructuring Order Instituting Rulemaking (OIR) 90-02-008. The issue of economic curtailment will see some relief if the core-elect option is eliminated as proposed under the same rulemaking. However, neither issue is relevant to the filing or compliance of PG&E's Advice Letter 1571-G.

Resolution G-2908
PG&E A.L. 1571-G/awp

February 23, 1990

FINDINGS

1. PG&E's storage banking Schedule G-IB may include language requiring brokers and marketers to prepay reservation fees for the storage year.

2. Advance payments of reservation fees should be subject to interest. Payment of interest on the accrued average remaining monthly balance should be based on the three-month Commercial Paper rate, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

3. Standby charges and the core-elect option will be addressed in OIR 90-02-008. These issues should not be resolved through this resolution.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company may require brokers and marketers to prepay storage reservation fees for the storage year.

2. PG&E shall modify and refile Schedule G-IB tariff sheets to include the calculation and payment of interest on prepaid storage reservation fees.

3. PG&E Advice Letter 1571-G and its revised tariff sheets shall be marked to show that they were approved by Commission Resolution G-2908.

4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 23, 1990. The following Commissioners approved it:

Executive Director

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