

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2997
MAY 20, 1992

R E S O L U T I O N

RESOLUTION G-2997. WP NATURAL GAS, A DIVISION OF THE WASHINGTON WATER POWER COMPANY. ORDER AUTHORIZING FIRM TRANSPORTATION SERVICE TO ITS END-USE PRIORITY P2A CUSTOMERS.

BY ADVICE LETTER C-2-G, FILED ON MARCH 11, 1992.

SUMMARY

1. On March 11, 1992, WP Natural Gas, a division of Washington Water Power Company (WWP) filed Advice Letter C-2-G requesting authority to provide core natural gas transportation service not presently offered under the Company's tariffs.
2. This Resolution grants WWP the authority to offer core natural gas transportation service at an unbundled rate for end-use priority P2A customers. WWP is also directed to file a compliance tariff offering sales service to end-use priority P2A customers at a bundled core rate and that all tariffs comply with the provisions of Commission General Order 96-A and the Commission's procurement program.

BACKGROUND

1. In Decision (D.) 91-09-067, the Commission authorized WWP's acquisition of CP National Corporation's (CPN) public utility gas operations located at South Lake Tahoe. Approval of the acquisition was subject to the following conditions:
 - a. No acquisition premium shall be allowed for ratemaking purposes either now or in the future;
 - b. All existing tariff provisions presently set forth in CP National's tariffs shall remain in full force and effect until authorized to be changed by the Commission.
 - c. Within 90 days after transfer, Washington Water Power Company shall file revised forms by advice letter to replace the forms contained in CP National's tariffs and used in dealings with ratepayers, in accordance with General Order Series 96.

11. Additionally, WWP has chosen to participate in Phase I of the Paiute Pipeline expansion scheduled for the spring of 1993. WWP estimates Phase I will increase the deliverability from Paiute to a total of 175,000 th/d of supply.

12. WWP filed a workpaper with its advice letter detailing its calculation of the volumetric charge for transportation service. The rates on the proposed Schedule GTT-255, Gas Transportation Service to Large Nonresidential Core Customers, reflect the total core rate applicable to end-use priority P1 customers, less the commodity cost of gas and past gas costs currently embedded in rates. Past gas costs based on deferrals prior to 1990 are excluded because Embassy is incremental to the system. The calculated transportation rate is \$0.29024.

NOTICE

1. Public notice of this advice letter was made by publication in the Commission calendar and by WWP's mailing copies to other utilities, governmental agencies and all interested parties who requested notification.

PROTESTS

1. No protests were filed.

DISCUSSION

1. CACD has reviewed Advice Letter C-2-G for compliance with Commission policies and previous decisions.

2. In its advice letter filing, WWP has requested authority to provide transportation service to its customers, specifically Embassy. Considering WWP's participation in Phase I of the Paiute Pipeline expansion and in reviewing the effects of the incremental capacity needed on WWP's system in order to provide transportation service to Embassy, CACD believes WWP's ability to serve its current customers in the South Lake Tahoe area is not impaired.

3. Since September 15, 1991, Embassy's current load has been met through sales service (bundled service of purchased gas and transportation), pending Commission action on WWP's request to provide transportation service. WWP has provided this bundled service under Schedule GT-221, a tariff applicable to end-use priority P1 customers and those customers with peak day demands of 100 Mcf/d or less.

4. In its review of WWP's advice letter, CACD notes that Embassy has peak day demands greater than 100 Mcf/d, therefore, Embassy cannot be classified as an end-use priority P1 customer. CACD also believes that Embassy does not meet the requirements for a P2B customer because, although it does have peak demands greater than 100 Mcf/d, it does not possess alternative fuel.

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2. In its detailed study of the joint Application (A.) 90-01-006 where CPN and WWP sought authority for WWP to acquire the South Lake Tahoe district, the Commission's Division of Ratepayer Advocates (DRA) noted that CPN's base rates were last revised in June 1990 (DRA Exhibit 8, page 13).
3. Recognizing that customers in South Lake Tahoe would enjoy the benefits of a base rate freeze while WWP would be given an opportunity to more fully explore the possibilities for achieving ongoing operational efficiencies in South Lake Tahoe, the Commission, in D.91-09-067, suspended the Supply Adjustment Mechanism (SAM) and ordered a base rate freeze of three and one-quarter years until January 1, 1995.
4. On November 27, 1991, WWP filed Advice Letter C-1-G in compliance with D.91-09-067 reflecting revised forms to replace the forms contained in CPN's tariffs and used in dealings with ratepayers. The Commission Advisory and Compliance Division (CACD) reviewed and approved this advice letter, effective January 6, 1992.
5. On March 11, 1992, WWP filed Advice Letter C-2-G requesting authority to provide core natural gas transportation service not presently offered under its tariffs.
6. WWP receives its gas from the Paiute Pipeline, a subsidiary of Southwest Gas Corporation.
7. WWP currently has one customer, Embassy Suites (Embassy), who has requested service under the proposed tariff to transport approximately 1,500,000 therms annually of its own gas supplies. Embassy is a California end-use customer located in South Lake Tahoe at the California/Nevada border.
8. Since September 15, 1991, Embassy has been receiving sales service under WWP's Schedule GT-221, General Natural Gas Service, a tariff applicable to end-use priority P1 customers and those customers with peak day demands of 100,000 cubic feet per day (100 Mcf/d) or less. The customer has no alternative fuel capability.
9. Embassy is an incremental customer to WWP's South Lake Tahoe system because service from WWP began on September 15, 1991, subsequent to the last revision of WWP's current base rates in June 1990.
10. WWP states that it currently has enough deliverability from the Paiute Pipeline Company to provide firm transportation service to Embassy. Total pipeline capacity is 153,000 therms per day (th/d). The peak day demand over the last 16 years was 134,000 th/d. Embassy has a peak day requirement of approximately 4,500 th/d.

facilities nor does it currently have the capability. Based on the information given, Embassy is a P2A customer.

5. CACD notes that the majority of WWP's customers are residential or commercial customers with usage under 100 Mcf/d and are, therefore, assigned an end-use priority of P1. A few of WWP's customers are small commercial businesses having either alternative fuel capabilities or installed facilities and are classified as P2B customers. Although these P2B customers would be curtailed first, Embassy, the sole customer assigned an end-use priority of P2A, is still vulnerable to curtailment. In view of this, CACD recommends that Embassy consider provisions for alternative fuel facilities since it is a marginal customer and would be subject to curtailment prior to WWP's residential and other P1 customers.

6. CACD has reviewed the utility's tariffs and has found that WWP does not have an existing tariff for bundled core service applicable to P2A customers. CACD recommends WWP modify its tariffs by advice letter filing to include sales service to P2A customers at a bundled core rate.

7. As ordered in D.91-09-067, WWP's rates have been frozen until January 1, 1995. Therefore, WWP is precluded from determining a new rate applicable to P2A customers. Typically, the bundled core rate for end-use priority P2A customers has equaled the core rate for P1 residential and small commercial customers. CACD recommends WWP apply the bundled core rate for P1 residential and small commercial customers to P2A customers for bundled service until the conclusion of the base-rate-freeze period.

8. CACD has reviewed WWP's workpaper which illustrates the unbundling of the total core rate for P1 residential and small commercial customers by subtracting the commodity cost of gas and past gas costs currently embedded in rates. CACD believes this methodology is correct when determining a transportation rate for incremental customers. However, WWP does not present a transportation rate applicable to existing customers. Existing customers who received service from WWP prior to the last revision of base rates in June 1990 and who request transportation service as a P2A customer must be charged an unbundled rate which includes past gas costs embedded in the bundled core rate. These customers should not be relieved of their liability for any past undercollections incurred. The Commission adopted this position when it stated, "Rates for core transport customers should include a component which reflects past positive and negative gas balancing account imbalances among themselves and with noncore customers." (D.91-02-040, Conclusion of Law #7)

9. CACD recommends WWP revise its proposed tariff schedule for transportation service applicable to P2A customers to show unbundled rates for both incremental customers (those customers who started receiving service after June 1990) and existing customers. The transportation rate for incremental customers should be based on the total core rate for end-use priority P2A

customers, less the commodity cost of gas and past gas costs currently embedded in rates. The transportation rate for existing customers should be based on the total core rate for P2A customers, less the commodity cost of gas.

10. CACD recommends granting WWP the authority to provide firm transportation service to end-use priority P2A customers upon the following conditions:

- a. The utility modify its tariffs to provide bundled service to end-use priority P2A customers at a rate equal to the total core rate for P1 residential customers and other customers with peak day demands of 100 Mcf/d or less.
- b. The utility file a tariff for firm transportation service with two volumetric rates: One, applicable to incremental customers where past gas costs incurred prior to June 1990 are subtracted from the bundled core rate for P2A customers and the other, applicable to existing customers where only the commodity cost of gas is subtracted from the bundled core rate for P2A customers.

11. CACD believes that certain revisions and additional language should be incorporated into WWP's tariff sheets for purposes of clarity and extending general knowledge to its customers and other interested parties. Such changes should include the following:

- a. Compliance to the Commission's General Order 96-A.
- b. Inclusion of additional definitions under Rule 1 of its tariff schedules, i.e., definition of interruptible service.
- c. Further clarification of core and noncore.

12. CACD recommends WWP re-align its tariffs to reflect the most current rules and regulatory requirements under the Commission's procurement program so that its customers are aware of all opportunities available to them.

FINDINGS

1. In Decision (D.) 91-09-067, the Commission conditionally authorized WWP's acquisition of CPN's public utility gas operations located at South Lake Tahoe.
2. In D.91-09-067, the Commission suspended the Supply Adjustment Mechanism (SAM) and ordered a freeze of base rates which were last revised in June 1990 for three and one-quarter years until January 1, 1995.
3. WWP filed Advice Letter C-1-G in compliance with D.91-09-067 reflecting revised forms to replace the forms contained in

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CPN's tariffs and used in dealings with ratepayers. CACD reviewed and approved this advice letter, effective January 6, 1992.

4. On March 11, 1992, WWP filed Advice Letter C-2-G requesting authority to provide core natural gas transportation service not presently offered under the Company's tariffs.

5. No party protested WWP's advice letter filing.

6. WWP receives its gas from the Paiute Pipeline, a subsidiary of Southwest Gas Corporation.

7. WWP's customer, Embassy, has requested service under the proposed tariff to transport approximately 1,500,000 therms annually of its own gas supplies.

8. WWP's total pipeline capacity is 153,000 th/d. The peak day demand over the last 16 years was 134,000 th/d. Embassy has a peak day requirement of approximately 4,500 th/d.

9. WWP is a participant in Phase I of the Paiute Pipeline expansion scheduled for the spring of 1993.

10. Embassy is an incremental customer to WWP's South Lake Tahoe system because WWP's rates were adopted prior to when Embassy became a customer.

11. Beginning September 15, 1991, Embassy's load has been met through sales service provided under WWP's Schedule GT-221, a tariff applicable to end-use priority P1 residential customers and other customers with peak day demands of 100 Mcf/d or less.

12. Currently, Embassy does not have installed alternative fuel facilities nor does it have the capability.

13. Embassy is a P2A customer because it has peak-day demands greater than 100 Mcf/d and it does not have alternative fuel capability.

14. WWP does not have an existing tariff for bundled core service applicable to P2A customers.

15. The majority of WWP's customers are residential or commercial customers with usage under 100 Mcf/d and are, therefore, assigned an end-use priority of P1. A few of WWP's customers are small commercial businesses having either alternative fuel capabilities or installed facilities and are classified as P2B customers.

16. As ordered in D.91-09-067, WWP's rates have been frozen until January 1, 1995. Therefore, WWP is precluded from determining a new rate applicable to P2A customers. Typically, the bundled core rate for end-use priority P2A customers has equaled the core rate for P1 residential and small commercial customers.

17. WWP unbundled the total core rate for P1 residential and small commercial customers by subtracting the commodity cost of gas and past gas costs currently embedded in rates to arrive at a transportation rate. This methodology is correct when determining a transportation rate for incremental customers.

18. WWP does not present a transportation rate applicable to existing customers. Existing customers who received service from WWP prior to the last revision of base rates in June 1990 and who request transportation service as a P2A customer must be charged an unbundled rate which includes past gas costs embedded in the bundled core rate.

CONCLUSIONS

1. The incremental capacity needed on WWP's system in order to provide transportation service to Embassy does not impair the utility's ability to serve its current customers in the South Lake Tahoe area. Additionally, with its participation in Phase I of the Paiute Pipeline expansion, WWP will have increased deliverability to meet its expected needs.

2. It is appropriate to classify WWP's customer, Embassy, as an end-use priority P2A customer where it has peak-day demands greater than 100 Mcf/d and where it currently has not acquired alternative fuel capability. WWP should file tariffs by advice letter filing to include sales service to P2A customers at a bundled core rate equal to the total core rate applicable to P1 residential customers and other customers with peak day demands of 100 Mcf/d or less.

3. Embassy should be aware that it is vulnerable to curtailment because it is a marginal customer where WWP's load consists mainly of higher end-use priority customers and few customers with lower end-use priorities. In view of this, Embassy should consider alternative fuel capability as an option during curtailment.

4. WWP should revise its proposed tariff schedule for transportation service applicable to P2A customers to provide unbundled rates for both incremental customers (those customers who started receiving service after June 1990) and existing customers. The transportation rate for incremental customers should be based on the total core rate for end-use priority P2A customers, less the commodity cost of gas and past gas costs currently embedded in rates. The transportation rate for existing customers should be based on the total core rate for P2A customers, less the commodity cost of gas.

5. It is appropriate that WWP re-align its tariffs to reflect all Commission decisions related to the natural gas procurement program, and General Order 96-A as well as including other information which will provide clarity and extend general knowledge to its customers and other interested parties.

THEREFORE, IT IS ORDERED that:


1. The Washington Water Power Company is granted the authority to offer firm transportation service to end-use priority P2A customers on condition that it submit within 15 working days of the effective date of this Resolution, a supplemental advice letter filing incorporating the following modifications and additions:

- a. The utility modify its tariffs to provide bundled service to end-use priority P2A customers at a rate equal to the total core rate for P1 residential customers and other customers with peak day demands of 100 Mcf/d or less.
- b. The utility file a tariff for firm transportation service with two volumetric rates: One, applicable to incremental customers where past gas costs incurred prior to June 1990 are subtracted from the bundled core rate for P2A customers and the other, applicable to existing customers where only the commodity cost of gas is subtracted from the bundled core rate for P2A customers.
- c. Fully comply with the provisions of the Commission's General Order 96-A.
- d. Comply with Commission decisions related to the natural gas procurement program.
- e. Include additional clarifying language which will provide its customers and other interested parties with sufficient information on all opportunities available under the Commission's current gas procurement program.

2. The Washington Water Power Company shall re-align its tariffs to reflect the most current rules and regulatory requirements.

3. Upon receipt of the supplemental advice letter filing as stated in Ordering Paragraph 1 of this Resolution, Washington Water Power Company's Advice Letter C-2-G and attachments shall be marked to show that they have been superseded and supplemented by the new supplemental Advice Letter and the revised Preliminary Statement and tariff schedules effective on or after June 10, 1992.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 20, 1992. The following Commissioners approved it:


NEAL G. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. CHANTAN
NORMAN D. SHIMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did not
participate.