PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3223
OCTOBER 22, 1997

RESOLUTION

RESOLUTION G-3223. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL OF ITS PROPOSED STANDARDIZED COST STRUCTURE FOR RECOVERY OF START-UP COSTS ASSOCIATED WITH THE CONSTRUCTION OF INTERCONNECTION PLANTS TO ACCEPT CALIFORNIA PRODUCTION GAS INTO PG&E'S GAS PLANT.

BY ADVICE LETTER 2030-G, FILED ON AUGUST 1, 1997.

SUMMARY

1. Pacific Gas and Electric Company [PG&E] requests approval of a uniform charge structure for recovery of expenses incurred in accepting gas produced in California for transport through its pipeline system. Presently PG&E submits for approval an advice letter for each producer access agreement as required by the Public Utilities Code [PU Code] Section 785.7[b]. PG&E now seeks to establish a standard charge format for future producer access agreements.

2. PG&E would charge the producer for start-up cost of the plant. These charges consist of system-wide standardized costs for construction of plant that accepts producer gas. They include materials, meter set assembly, labor, and related costs. These costs will be tracked, capitalized, and billed to specific producer. The proceeds will be used to offset the capitalized costs on PG&E's gas plant accounts.

3. There were no protests. This Resolution approves PG&E's request because the proposed charge structure complies with Section 785.7[b] of the PUC Code and would facilitate transportation of gas while reducing the administrative burden of seeking a separate approval for each access agreement.

BACKGROUND

1. PG&E provides access to its gas pipelines at various receipt points to transport gas produced in California. PUC Code Section 785.7[b] allows a gas corporation to charge producers for actual costs incurred in the construction, operation, and maintenance of plants necessary to receive California gas produced by other entities. Pursuant to the above Code Section, PG&E may also charge producers

for services necessary to make any gas received compatible with the utility's gas requirements, and the Commission is to ensure that the charges are based on actual cost of providing the specific service.

2. PG&E's practice has been to file a separate advice letter for each producer pipeline access agreement. PG&E wants to change this cumbersome practice by establishing a standardized cost structure for recovery of the start-up costs of interconnection plants.

3. Start-up costs would include actual costs of design, construction, testing, calibration, and related costs of the plants necessary to receive gas. Such costs would include actual costs of materials, parts, permits, legal fees, rights of way, and applicable overhead. Costs for labor are based on PG&E's labor rate for personnel assigned to the project. Start-up costs will be tracked and capitalized.

4. PG&E will charge an up-front application fee of $2,100 when a producer requests a tie-in connection point. This fee would cover costs of legal review, rights of way analysis, preliminary design, gas analysis, and site visits. Upon completion of the plant, the application fee will be credited against the actual costs incurred to construct the tie-in and the balance charged to the producer.

5. PG&E states that it will file a revised charge structure if significant changes occur in costs.

6. In the event a project is canceled, the revenue from the application will be credited to the operating expense accounts which were charged with the incurred expense.

NOTICE

1. PG&E served notice of AL 2030-G to certain utilities, government agencies, and other parties that requested such information. AL 2030-G was noticed in the Commission Calendar.

PROTESTS

1. There were no protests to AL 2030-G.

DISCUSSION

1. The Energy Division has reviewed PG&E's AL 2030-G, its attachments, and PU Code Section 785.7. It is the Energy Division's view that the proposed charge structure is reasonable because its derivation is based on actual start-up costs incurred by PG&E. PU Code 785.7[b] states

> If the gas corporation constructs new facilities at the request of the producer or customer exclusively to receive gas by the gas corporation's gas plant, the gas corporation may impose a charge for the construction, operation, and maintenance of these facilities. The amount of the charge for the processing service or the facilities authorized by the subdivision shall be established by the Commission and shall be based on the actual expenses for the construction, operation, maintenance, labor, materials, and overhead expenses involved in the specific service or facilities.

2. PG&E is not asking for inclusion of operations and maintenance [O&M] expenses in its proposal. A similar request by Southern California Gas Company [ALs 2941, 2941-A,2941-B] which also included O&M expenses was approved by the Commission in Resolution G-3194 on September 4, 1996.

3. In the Energy Division's view, revenue proceeds from producer access agreements should be tracked separately from revenue received from other utility business to ensure that costs and proceeds from such contracts do not affect utility rates. PG&E has indicated that it will adhere to this tracking procedure.

4. The Energy Division believes that the standardized costs set forth in AL 2030-G could provide greater cost certainty to the producers of gas and reduce the administrative burden associated with separate approval of each access agreement.

5. The Energy Division recommends approval of AL 2030-G.

FINDINGS

1. On August 1, 1997, PG&E filed AL 2030-G requesting approval of its proposed standardized cost structure for recovery of start-up costs associated with the construction of interconnection plants requested by producers in order to accept California production gas into PG&E's gas plant.

2. A similar request by SoCalGas was approved in Resolution G-3194 on September 4, 1996.

3. PG&E's request conforms with PU Code Section 785.7[b].

4. There were no protests on AL 2030-G.

5. Implementation of PG&E's proposal will not affect utility rates.

6. Implementation of PG&E's request will provide greater cost certainty to the producers of gas and reduce the administrative burden associated with determining actual costs.

7. PG&E's request is reasonable and should be approved.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company request in Advice Letter 2030-G is hereby granted.

2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 22, 1997.

The following Commissioners approved it.

Wesley Franklin

WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neeper
Richard A. Bilas
Commissioners