

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
ENERGY BRANCH****RESOLUTION G-3096  
DECEMBER 17, 1993****R E S O L U T I O N****RESOLUTION G-3096. SOUTHERN CALIFORNIA GAS COMPANY  
(SOCAL GAS) AND PACIFIC GAS & ELECTRIC COMPANY (PG&E)  
REQUEST APPROVAL OF A SHORT-TERM GAS LOAD BALANCING  
AGREEMENT.****BY SOCAL GAS ADVICE LETTER 2236-G AND PG&E ADVICE LETTER  
1811-G, FILED ON NOVEMBER 5, 1993.****SUMMARY**

1. Southern California Gas Company (SoCal Gas) and Pacific Gas & Electric Company (PG&E) request approval of a short-term load balancing agreement between each utility.
2. The load-balancing agreement allows SoCal Gas to provide as-available gas service to PG&E during the winter 1993-1994 heating season. This as-available service minimizes the potential for curtailments on the PG&E system due to PG&E's McDonald Island storage facility operating at less than full capacity due to the explosion and fire that occurred there.
3. This Resolution grants the utilities' request to enter into a load-balancing agreement as well as addressing the rate treatment of any costs and revenues generated by the agreement.

**BACKGROUND**

1. PG&E suffered damage to its McDonald Island storage facility as a result of a fire and explosion that occurred there on October 1, 1993. This reduced McDonald Island's withdrawal capability by approximately 700 MMcf/d, although 440-600 MMcf/d of this capability is expected to again be operational by mid-December for emergency use only.
2. Because of the loss of McDonald Island's withdrawal capability, PG&E requested from SoCal Gas, and SoCal Gas has agreed to provide, additional load balancing services. These services minimize the chance of curtailments on the PG&E system for the upcoming winter season.

3. Under the agreement, SoCal Gas could receive into its system up to 300 MMcf/d per day of gas (to a maximum of 2 bcf) from PG&E, and redeliver to PG&E up to 200 MMcf/d of gas as needed. All load balancing services provided to PG&E by SoCal Gas would be made on an as-available basis and would not adversely impact service to SoCal Gas' other customers.

4. PG&E will negotiate a rate for the services it receives from SoCal Gas at the start of each month. The negotiated rate will comport with the rates found in SoCal Gas' storage tariffs (G-LTS) and interutility transportation tariffs (G-INT).

5. The agreement between SoCal Gas and PG&E would only be for the 1993-1994 winter heating season through (April 30, 1994) and is similar to an agreement to provide load balancing services for the winter 1988-89 winter heating season that was approved by the Commission in Resolution G-2857 (February 8, 1989.)

#### NOTICE

1. Notice of this filing was made by SoCal Gas and PG&E to all interested parties as required under General Order 96-A, Section III-G.

#### PROTESTS

1. No protests were received for this filing.

#### DISCUSSION

1. The load balancing agreement submitted by PG&E and SoCal Gas is similar in many ways to a previous load balancing agreement approved by the Commission in Resolution G-2857. Although CACD recommends that the Advice Letters filed by PG&E and SoCal Gas be approved due to their ability to minimize the possibility of any curtailments on the PG&E system, many of the issues raised in Resolution G-2857 are still applicable today.

#### Failure to Extend Program

2. Resolution G-2857 recommended that "at some later, less urgent time, the utilities should request the Commission review the allowed operation and consider full approval of the [Load-Balancing] Agreement."<sup>1</sup> Unfortunately, almost four years later the same utilities are again requesting expedited processing of a load-balancing agreement. There is no reason that an agreement mutually acceptable to the Commission and all other interested parties couldn't have been developed prior to this winter heating season.

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1 See Resolution G-2857, p. 4 and Ordering Paragraph #9.

Need for Load-Balancing Agreement in an "Unbundled" Gas Market

3. The previous load-balancing agreement worked out between the utilities occurred in 1989 under a regulatory regime significantly different than what exists today. Although CACD recommends approval of the agreement, CACD also notes that there is far less need for a load-balancing agreement today than there was in 1989.

4. Since 1989 the Commission has made non-core customers increasingly responsible for arranging their own gas needs and have rewarded non-core customers through lower rates for assuming this obligation. Non-core customers now have the opportunity to arrange their own gas procurement, interstate pipeline capacity, and, in the Southern California Gas service territory, storage services as well. Thus it is unclear why utilities should now undertake to provide additional services that non-core customers may be better able to undertake for themselves. Non-core customers concerned about reliability on the PG&E system during the coming winter season are equally capable of taking the appropriate actions, such as signing up for additional interstate pipeline capacity or signing up for storage services on the SoCal Gas system.<sup>2</sup> Through these mechanisms, non-core customers can choose, and pay for, the level of service reliability that they want. Core customers, although lacking the options that non-core customers have, enjoy the protections of reserved pipeline capacity and the ability to divert, either voluntarily or involuntarily, flowing gas supplies of non-core customers.

Revenue Treatment

5. SoCal Gas's Advice Letter fails to address the allocation of any incremental revenues generated from its agreement with PG&E. CACD recommends that any revenue generated be allocated back to all SoCal Gas ratepayers on an equal cents per therm basis.

6. In PG&E's case, by contrast, the main benefits of the load-balancing agreement appear to be non-core customers who

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2 D.93-02-013, the storage decision, allows off-system customers (such as those on the PG&E system) the opportunity to sign-up for SoCal Gas storage service.

3 The Commission has gone to great lengths to insure the adequacy of core supplies by the reservation of extensive amounts of interstate pipeline capacity (See D.91-11-025, Appendix B, p. 5), giving the core first priority for storage capacity, and adoption of a program for voluntary (and then involuntary) diversion of non-core gas supplies (See D.91-11-025, Appendix B, p. 11-14).

otherwise might face partial curtailments to maintain core reliability. Accordingly, any costs incurred by PG&E under this Agreement should be assigned to its non-core customers on an equal cents per therm basis. At the end of the winter season, PG&E should be able to reassign a portion of these costs to core customers, but only if these costs were directly related to preventing a curtailment to core customers.

#### Reasonableness Review and Reporting Requirements

7. Finally, as the Commission adopted in Resolution G-2857, CACD recommends that any costs incurred by PG&E under this agreement be tracked separately in a memorandum account and subject to reasonableness review at a later date. Monthly reporting to the Commission of the cost, quantities, and revenues generated by the agreement should also be required from both utilities.

#### FINDINGS

1. On October 1, 1993, PG&E suffered damage to its McDonald Island storage facility as a result of a fire and explosion that occurred there. The explosion reduced McDonald Island's withdrawal capability by approximately 700 MMcf/d, although 440-600 MMcf/d of this capability is expected to again be operational by mid-December for emergency use only.

2. SoCal Gas and PG&E have entered into a load balancing agreement under which SoCal Gas could receive into its system up to 300 MMcf/d of gas (to a maximum of 2 bcf) from PG&E, and redeliver to PG&E up to 200 MMcf/d of gas as needed. All load balancing services provided to PG&E by SoCal Gas would be made on an as-available basis and would not adversely impact service to SoCal Gas' other customers.

3. The agreement minimizes the likelihood of winter curtailments occurring on the PG&E system.

4. The agreement between SoCal Gas and PG&E would only be for the 1993-1994 winter heating season (through April 30, 1994.)

5. Both PG&E and SoCal Gas have had almost four years to develop a mutually acceptable permanent load balancing program but have not done so.

6. Under the increasingly unbundled regulatory environment that exists in 1993, there is far less need for a load-balancing agreement today than there was in 1989.

7. Any revenue generated by SoCal Gas should be allocated back to all SoCal Gas ratepayers on an equal cents per therm basis.

8. PG&E's non-core customers are the main beneficiaries of the load-balancing agreement who otherwise might face partial curtailment.

9. Any costs incurred by PG&E under this Agreement should be subject to reasonableness review and should be assigned to its non-core customers on an equal cents per therm basis. At the end of the winter season, PG&E should be able to reassign a portion of these costs to core customers, but only if these costs were directly related to preventing a curtailment to core customers.

10. PG&E and SoCal Gas should establish memorandum accounts for costs and revenues generated under this agreement as well as providing monthly reports to the Commission on any costs, quantities, and revenues generated by the agreement.

**THEREFORE, IT IS ORDERED that:**

1. The load balancing agreement proposed by Pacific Gas and Electric Company (PG&E), in Advice Letter 1811-G; and by Southern California Gas Company (SoCal Gas), in Advice Letter 2236-G is approved as modified by today's Resolution.

2. Both PG&E and SoCal Gas shall establish memorandum accounts to record any costs or revenues generated under their load balancing agreement. These costs and/or revenues shall be recovered in rates but shall be subject to reasonableness review by the Commission in each utility's next cost-allocation proceeding.

3. Any revenue generated by SoCal Gas shall be allocated back to all SoCal Gas ratepayers on an equal cents per therm basis. Any costs incurred by PG&E under this Agreement shall be assigned to its non-core customers on an equal cents per therm basis. At PG&E's next cost allocation proceeding, PG&E may request to reassign to core customers, on an equal cents per therm basis, any costs incurred under the agreement that were directly related to preventing the curtailment of core service.

4. Both PG&E and SoCal Gas shall file monthly reports to the Chief of the Energy Branch of the Commission Advisory and Compliance Division, reports shall be due 15 days after the close of each month outlining the costs, revenues, and quantities of gas generated by the agreement.

5. The load-balancing agreement between PG&E and SoCal Gas shall expire on April 30, 1994.

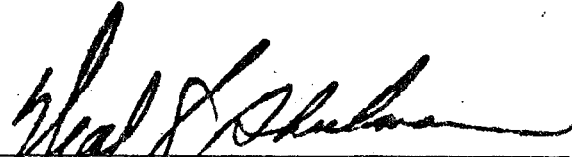
6. The load-balancing agreement between PG&E and SoCal Gas is effective as of the December 3, 1993 within 10 days PG&E and SoCal Gas shall file supplemental advise letters with the corrected tariff sheets as required in Ordering Paragraphs #2 and #3.

December 17, 1993

7. Upon receipt of the corrected tariff sheets, PG&E Advice Letter 1811-G, and SoCal Gas Advice Letter 2236-G shall be marked to show that they were approved by Commission Resolution G-3096.

8. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 17, 1993. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
Commissioners