

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3122
APRIL 20, 1994

R E S O L U T I O N

RESOLUTION G-3122. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL OF TARIFF SHEETS TO IMPLEMENT THE INTERIM RATES FOR ITS PIPELINE EXPANSION PROJECT ("EXPANSION PROJECT") SET FORTH IN APPENDIX C OF DECISION (D.) 94-02-042, DATED FEBRUARY 16, 1994. THE AUTHORIZED INTERIM RATES SHALL REMAIN IN EFFECT UNTIL NO LATER THAN DECEMBER 31, 1995.

BY ADVICE LETTER 1834-G, FILED ON MARCH 1, 1994.

SUMMARY

1. Decision (D.) 94-02-042 dated February 16, 1994, authorized Pacific Gas and Electric Co. (PG&E) to increase the cost cap from \$736 million to \$849 million for its gas pipeline expansion project (Expansion Project). The order also authorized discounted interim rates for the Expansion Project in response to competition in the natural gas market.
2. PG&E filed Advice Letter (AL) No. 1834-G to implement the tariff changes ordered in D. 94-02-042, establishing the interim rates for the Project.
3. Four protests were filed. Two protests were submitted by Sunrise Energy Services/SunPacific Energy Management, Inc. (Sunrise/SunPacific), one by Toward Utility Rate Normalization (TURN), and one by Washington Energy Exploration, Inc. (WEEX).
4. This resolution grants PG&E's request subject to PG&E filing a supplement to AL No. 1834-G no later than April 27, 1994, containing the modifications resulting from this resolution.
5. This resolution clarifies the Commission's interpretation of a customer's eligibility for the backbone credit and preserving the crossover ban.

April 20, 1994

BACKGROUND

1. The Commission granted PG&E a Certificate of Public Convenience and Necessity for the Project in D. 90-12-119. The Expansion Project consists of a pipeline system that is parallel to, and interconnected with, PG&E's existing pipeline facilities from Malin to Kern River Station. PG&E constructed a new pipeline from the Oregon-California border to the Brentwood Compressor Station in Contra Costa County. In D. 94-02-042 (A. 93-03-038; the Expansion Project's first general rate case (GRC)), the Commission ordered incremental rate treatment for the Expansion Project and established implementation details. The Expansion Project was certificated under a "let the market decide" policy for expansion of California's gas pipeline network, without conventional cost-effectiveness justification for the new capacity.

2. In D. 91-06-053 the Commission ordered a "crossover ban" under which gas shipments over the Pacific Gas Transmission Company (PGT) section of the pipeline expansion must, for ratemaking purposes, be assigned to the Expansion Project once they enter California. The Commission determined that shipments on the interstate portion of PG&E's and PGT's expanded gas transmission facilities may not be transported within California at the existing transportation rate to avoid the intrastate Expansion Project tariff ("crossover ban"). PGT is a subsidiary of PG&E and owns and operates the portion of the pipeline from the Canadian border to the California-Oregon border. The PGT and PG&E portions interconnect near Malin, Oregon. The Commission believes that the crossover ban is a necessary adjunct to incremental ratemaking for the Expansion Project.

3. Rehearing of D. 91-06-017 and D. 91-06-053 was granted by D. 91-09-035 for the purpose of examining (1) whether the cost of the intrastate Expansion should be rolled in to PG&E's system transportation rates or priced incrementally to Expansion shippers, (2) whether D. 91-06-053's prohibition against incremental loads "crossing over" from the interstate PGT Expansion system to obtain non-incremental PG&E existing system transportation rates within California should be eliminated, (3) whether the postage stamp rate design is just and reasonable, and (4) how duplicative backbone transmission charges for northern California shippers can best be eliminated.

4. In D. 92-10-056, the Commission ruled that (1) incremental pricing was affirmed, and rolled-in pricing was again rejected; (2) the crossover ban was affirmed; (3) postage stamp rates were affirmed; and (4) a "backbone credit" mechanism was adopted in order to remove duplicative charges to Expansion Project shippers that also pay transportation rates on PG&E's existing backbone pipeline system in northern California.

April 20, 1994

5. In D. 93-02-018 the Commission denied applications for rehearing of the issues in D. 92-10-056 and added clarifying language.

6. PG&E filed Application (A.) 92-12-043 on December 21, 1992, seeking to increase from \$736 million to \$849 million, the cost cap ordered in D. 90-12-119. The assigned Administrative Law Judge (ALJ) deferred consideration of the cost cap to PG&E's upcoming GRC application. PG&E filed A. 93-03-038 on March 15, 1993, and the two applications were subsequently consolidated. In its second application, PG&E sought authority to establish interim rates which would be in effect from the commercial operation date (COD) through the end of 1995. The rates would be subject to refund, pending reasonableness review of the Expansion Project's capital costs. Permanent rates would be litigated in PG&E's next company-wide General Rate Case (GRC) and would become effective January 1, 1996.

7. On February 16, 1994, the Commission adopted Decision 94-02-042 which authorized the interim rates for the Expansion Project in response to A. 93-03-038. The decision granted interim rates for the Expansion Project subject to refund or upward adjustment pending the outcomes of a reasonableness review of capital costs and an independent audit of operating expenses.

8. Ordering Paragraph 6 of D. 94-02-042 authorized PG&E to file with the Commission on or before February 23, 1994, revised tariff sheets to implement the interim rates set forth in Appendix C to this decision.

9. Ordering Paragraph 8 of D. 94-02-042 further states that the authorized interim rates shall become effective when the Commission approves, by decision or resolution, the advice letter authorized above and shall remain in effect until no later than December 31, 1995.

NOTICE:

1. Public notice of this filing was recorded in the Commission's calendar on March 3, 1994, and by mailing copies of the filing to adjacent utilities and interested parties.

April 20, 1994

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received four protests to AL 1834-G. Toward Utility Rate Normalization (TURN) filed its protest on March 22, 1994; PG&E filed a response to the protest on March 29, 1994. Sunrise Energy Services, Inc./SunPacific Energy Management, Inc. (Sunrise/SunPacific) filed its first protest on March 21, 1994, and a second protest on March 23, 1994; PG&E responded to Sunrise/SunPacific's protests on March 28, 1994, and March 30, 1994, respectively. Washington Energy Exploration, Inc. (WEEX) filed its protest on March 21, 1994; PG&E's response was received by CACD on March 30, 1994.

DISCUSSION

1. The four protests above concern two issues, (1) clarification of a customer's eligibility for the backbone credit, including defining what portions of PG&E's system are considered to be the existing backbone transmission system and (2) preserving the crossover ban initially adopted in D. 91-06-053 and the modifications to the rate mechanisms of D. 94-02-042 regarding the crossover ban.

BACKBONE CREDIT

2. Sunrise/SunPacific's first protest objects to the provision of Rate Schedule G-CT, Experimental Core Transportation Service, requiring the backbone credit to be remitted by PG&E directly to the traditional end-use customer receiving delivery of gas from a PG&E expansion shipper. Sunrise/SunPacific requests that for core aggregation customers served with gas shipped over the PG&E expansion, the backbone credit should be remitted directly to the core aggregator (marketer), through a lump-sum offset to the aggregator's "summary bill." The lump-sum credit would represent the full volume shipped over the PG&E expansion; the aggregator would then allocate the backbone credit among all of its core aggregation customers.

3. PG&E responded that it added the backbone credit provision to its non-Expansion transportation schedules, including rate Schedule G-CT, in compliance with D. 93-10-069. PG&E also stated that the Commission reaffirmed the policy of giving the backbone credit to the end-use customer in D. 94-02-042 (Finding of Fact 73, Page 70).

4. Finding of Fact 73 of D. 94-02-042 states:

"The backbone credit should be assigned to the customer of record on PG&E's existing pipeline system."

April 20, 1994

CACD understands that "customer of record" refers to the customer who receives the bill from PG&E for gas that enters the existing system from the PG&E expansion pipeline. This would mean that the core aggregator is eligible to receive the credit. If there is no core aggregator, then the core end-use customer(s) would receive the credit.

5. Both TURN and Sunrise/SunPacific agree that PG&E has properly reflected the Commission's decision (D. 94-02-042) by adding language to each of its intrastate core and noncore transportation tariffs regarding an end-use customer's eligibility for the backbone credit. Finding of Fact No. 75 states:

"No backbone credit should be assigned for any northern California delivery that requires transportation over both the Project and existing system backbone facilities."

6. However, both TURN and Sunrise/SunPacific object to the lack of clarification and interpretation of this language. TURN requests clarification on the current definition of "backbone transmission system", defined in AL 1806-G, which implemented the temporary interim rates approved for the Expansion in D. 93-10-069. Specifically, the portion of the definition that states,

"...and the associated facilities that transport gas from interstate pipelines and California natural gas production fields to the local intrastate transmission system."

7. TURN asserts that PG&E has a direct shareholder interest in granting the backbone credit in order to make service over its at-risk Expansion Project more economical, that it is essential that the tariffs implementing the Decision on this point be entirely clear and unambiguous.

8. Sunrise/SunPacific contends in its second protest that the language as stated in Finding of Fact 75, and as submitted by PG&E, if read literally, could eliminate the backbone credit altogether. If a customer, served over the PG&E Expansion, requires transportation over both PG&E's existing backbone transmission facilities and the Expansion, then the customer is ineligible for the backbone credit. Instead, Sunrise/SunPacific proposes that the backbone credit apply to any customer that receives contractual service over the PG&E expansion.

April 20, 1994

9. CACD believes that an existing system transportation customer is eligible for the backbone credit if two conditions are met: (1) the customer's gas enters the existing system from the Integrated Expansion System, consisting of the Pipeline Expansion plus portions of the existing Backbone Transmission System that are parallel to, integrated with and/or jointly used as part of the Pipeline Expansion, and (2) transportation on the existing Backbone Transmission System requires service over the following lines: Line 400; Line 401; Line 2; Line 300 from Panoche Station to Kern River Station; portions of Lines 303, 114, and 131 from the Antioch Terminal to the Brentwood Terminal; Line 142 North, including its local transmission or distribution lines, connected to Line 300; Line 306, connected to Line 300 at the Kettleman Compressor Station, including its local transmission or distribution lines; any local transmission or distribution lines west of the Expansion, connecting into Line 105 (Lines 210, 21, 191, SP3), down to the closed valve (milepost 44.54) on line 105. This also includes the facilities associated with these sections consisting of compressors, control stations (terminals), metering, valves, taps, cross-ties and other minor facilities.

10. CACD believes that if a customer receives service from the following existing Backbone Transmission System facilities, the customer is disqualified from receiving the backbone credit: Line 142 South, including its local transmission or distribution lines, connected to Line 300; any local transmission or distribution lines connected to Line 300 between Panoche Junction and the Milpitas Terminal; and any local transmission or distribution lines, starting at the Irvington Station northbound on lines 153 and 105, up to the closed valve (milepost 44.54). This also includes the facilities associated with these sections consisting of compressors, control stations (terminals), metering, valves, taps, cross-ties and other minor facilities.

CROSSOVER BAN

11. Washington Energy Exploration Inc. (WEEX) objected to PG&E's Rule 21, Transportation of Natural Gas, Section I (Self-Identification of Malin, Oregon Receipts). Specifically, (1) the addition of the requirement that customers nominating gas supply into Line 400 (Existing Transmission Gas Pipeline) must substantiate that the gas supply was not transported over any portion of the PGT pipeline under a PGT expansion rate schedule; (2) the condition that PG&E be allowed to audit the customer's supporting documentation; and (3) the provision that in the event that the customer does not provide adequate documentation, PG&E may rebill the customer based on the tariffed rates in the Expansion's As-Available Rate Schedule.

April 20, 1994

12. PG&E responded to WEEX's protest that it modified Rule 21 in compliance with D. 94-02-042. In response to item (1), PG&E referred to D. 94-02-042, "The crossover ban applies to gas transported anywhere on the PGT Expansion, not only to gas entering California under the PGT Expansion Tariff" (Finding of Fact 84, pp. 72). In response to item (2), auditing the customer's records, PG&E quoted page 54 of D. 94-02-042, that states "PG&E can require from all PGT shippers, as a condition of service on the Project or the PG&E existing system, substantiation of applicable firm or interruptible PGT tariffs over the length of the PGT system." PG&E, hence, believes it is in compliance with the decision. In response to item (3), authorization to rebill, PG&E does not view the potential rebilling as a penalty but rather as an incentive for the customers to comply with the crossover ban adopted in D. 94-02-042.

13. CACD concurs with PG&E in its interpretation of the crossover ban that it is in compliance with D. 94-02-042, with two clarifications. First, PG&E's right to audit supporting documents extends to verification of PGT tariffs, no to actual rates paid by the customer. Second, PG&E's right to rebilling is necessary only to strictly enforce tariff provisions regarding the crossover ban. It is not approved simply because it will act as an incentive for compliance.

FINDINGS

1. PG&E filed Advice Letter No. 1834-G on March 1, 1994, as ordered in D. 94-02-042, dated February 16, 1994.

2. The backbone credit is to be issued to the "customer of record", referring to the customer who receives the existing system transportation bill from PG&E for gas that enters the existing system from the PG&E Expansion pipeline. This would mean that the core aggregator is eligible to receive the credit. If there is no core aggregator, then the core end-use customer(s) would receive the credit.

3. A customer's eligibility of the backbone credit is identified in paragraphs 9 and 10 of the discussion portion of this resolution.

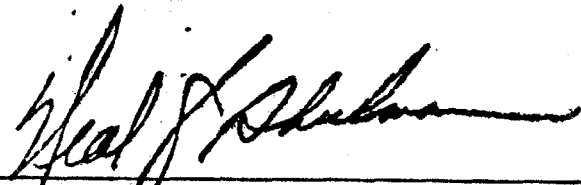
4. PG&E is in compliance with D. 94-02-042 on the issue of the crossover ban as discussed in item 13 of the discussion section of this resolution.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company's (PG&E's) Advice Letter No. 1834-G is approved as modified below.
2. Sunrise/SunPacific's first protest requesting that the backbone credit be issued to core aggregators is granted.
3. TURN's and Sunrise/SunPacific's second protest requesting clarification of Finding of Fact 75 of D. 94-02-042 are granted as discussed herein. All other aspects of Sunrise/SunPacific's second protest are denied.
4. WEEEX's protest is denied as discussed herein.
5. PG&E shall file a supplemental advice letter on or before April 27, 1994, with the following modifications to its tariffs:
 - (a) the backbone credit is to be issued to the "customer of record", referring to the customer who receives the Existing System transportation bill from PG&E for gas that enters the existing system from the PG&E expansion pipelines.
 - (b) the description of the backbone transmission system and the backbone credit eligibility criteria as described in paragraphs 9 and 10 of the Discussion section of this resolution.
6. The supplemental advice letter shall become effective two working days after it is filed with the Commission.
7. The authorized interim rates shall remain in effect until no later than December 31, 1995.
8. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 20, 1994.

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