

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3123
May 25, 1994

R E S O L U T I O N

RESOLUTION G-3123. SOUTHERN CALIFORNIA GAS COMPANY
REQUESTS APPROVAL OF THE HECTOR INTERCONNECTION
AGREEMENT WITH MOJAVE PIPELINE COMPANY.

BY ADVICE LETTER 2275, FILED ON FEBRUARY 16, 1994.

SUMMARY

1. Southern California Gas Company (SoCalGas) and Mojave Pipeline Company (Mojave) have entered into an interconnection agreement (Agreement) that is to improve the operational flexibility and efficiency of SoCalGas and provide high level of service to all of its customers.
2. The Hector Interconnect presently under construction between SoCalGas and Mojave systems at Pisgah, California, will permit Mojave to make gas deliveries to SoCalGas of up to 50,000 MMBtu per day on an interruptible basis when operational conditions require such deliveries.
3. The cost of the interconnection to SoCalGas is estimated at \$60,000.
4. The Division of Ratepayer Advocates protested Advice Letter (AL) 2275 on March 8, 1994, on the grounds that there should be a cap of \$60,000 on the cost of the Hector intertie for SoCalGas and that the intertie should not be used to avoid access charges at the Wheeler Ridge intertie.
5. This Resolution grants SoCalGas request with the provision that SoCalGas file a supplemental advice letter incorporating its agreement to the two protest points by DRA.

BACKGROUND

1. This advice letter is in the same category as SoCalGas AL 2212 which was approved by Resolution G-3088 on December 17, 1993. In that advice letter SoCalGas sought approval of a Displacement Service Agreement with Pacific Gas and Electric Company to increase its east-end flowing gas supplies to meet

firm service load requirements on a 1-in-10 cold day occurrence.

2. The Hector Interconnect is currently under construction between SoCalGas and Mojave systems at Pisgah, California. The Agreement is to provide for an alternate delivery point to the existing Wheeler Ridge Interconnect in order to optimize the operating capabilities of SoCalGas and Mojave. The Wheeler Ridge compressor station was built in response to the construction of PGT, Mojave, and Kern River gas pipelines. Those pipelines are intertied at Wheeler Ridge.

3. The intertie will be utilized at either party's request to deliver up to 50,000 MMBtu per day on an interruptible basis when operational considerations require such deliveries.

4. SoCalGas will utilize the Agreement at its own discretion when it deems deliveries by Mojave through the intertie are necessary for operational reasons and is also subject to Mojave's ability to deliver such volumes. Under the Agreement, no user of SoCalGas' system shall be disadvantaged by SoCalGas' request for service.

5. Because the Agreement provides that the transportation of gas will be on an interruptible basis, Mojave and SoCalGas will not be obliged or required to actually bring about or effectuate the delivery and receipt of any volume of gas.

6. The following discounted rates, exclusive of fuel and other surcharges, will apply to the first cumulative 20 Bcf of gas transported on a forward haul or backhaul basis:

<u>Service Under Rate Schedule IT-1</u>	<u>Rate</u>
o Forward Haul to Hector Interconnect	\$0.04 per MMBtu
o Backhaul to Hector Interconnect	\$0.005 per MMBtu

7. If Mojave is able to provide interruptible service to shippers, other than SoCalGas, at higher rates through its available capacity, SoCalGas must either refrain from requesting interruptible service under the Agreement or request interruptible service from Mojave at a rate comparable to what the other shippers would pay.

8. Costs and revenues associated with the Agreement will be allocated to SoCalGas ratepayers on an equal cents-per-therm basis.

9. SoCalGas may refuse to provide service under the Agreement if doing so endangers its Hinshaw Exemption. [Hinshaw Amendment to Natural Gas Act (15 U.S.C. Section 717c), under certain circumstances, exempts from FERC regulation the transport of natural gas within the boundaries of a state.]

NOTICE

1. SoCalGas served notice of AL 2275 by mailing copies to other utilities, government agencies, and all requesting parties.

PROTESTS

1. The Division of Ratepayer Advocates (DRA) filed a protest to SoCalGas AL 2275 on March 8, 1994. The protest is discussed below.

DISCUSSION

1. DRA, in its protest, proposes two conditions for approval of the advice letter in order to protect ratepayers from potential additional expenses associated with providing interruptible service through the proposed interconnect. Both provisions have been stipulated to by SoCalGas.

2. DRA's first concern is that, if the advice letter is approved, SoCalGas' share of the \$420,000 total cost of the Hector Interconnect shall not be allowed to exceed \$60,000. CACD concurs with DRA and recommends that any capital costs for this project exceeding \$60,000 should be borne by SoCalGas shareholders.

3. DRA's second concern is that, should the advice letter be approved, the Hector Interconnect may not be used by shippers to avoid access charges at Wheeler Ridge that would otherwise be applicable as under the incremental rate design method approved in D.93-02-055 and D.93-05-009. SoCalGas and Mojave should not be relieved of their obligation to pay their fair share of the Wheeler Ridge facilities through the rate treatment put forward in the above decisions. CACD agrees with the DRA and recommends that the use of the Hector intertie should not cause the shippers to avoid access charges at Wheeler Ridge that would otherwise be applicable.

4. The Commission has in the past approved a similar agreement between SoCalGas and PG&E [Resolution G-3088 / AL G-3088 discussed above]. CACD recommends approval of this advice letter, with the two conditions discussed above, on the grounds that the Agreement is a reasonable means by which SoCalGas can efficiently utilize its system.

FINDINGS

1. The Hector Interconnect Agreement between SoCalGas and Mojave Pipeline Company will permit, but will not require, Mojave to deliver and SoCalGas to receive up to 50,000 MMBtu gas per day on an interruptible basis.

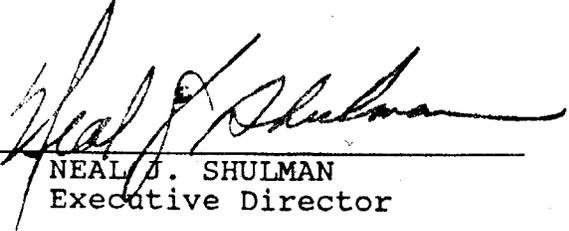
2. The cost to SoCalGas of the Hector interconnection project should not exceed \$60,000.
3. Discounted rates of \$0.04 [for forward haul] and \$0.005 [for backhaul], exclusive of fuel and other surcharges, should apply to the first cumulative 20 Bcf of transported gas to Hector Interconnect.
4. SoCalGas' costs and revenues associated with the Agreement shall be allocated to its ratepayers on an equal cents-per-therm basis.
5. The Hector Interconnect should not be used by shippers to avoid access charges at Wheeler Ridge Interconnect that would otherwise be applicable.
6. The Hector Interconnect Agreement is a reasonable means by which SoCalGas can efficiently utilize its system.

THEREFORE, IT IS ORDERED that:

1. The Hector Interconnect Agreement between Southern California Gas Company and Mojave Pipeline Company as proposed in Advice Letter 2275 is approved with the following modification:
 - a. The total cost of the Hector Interconnect to Southern California Gas Company's ratepayers shall not exceed \$60,000.
 - b. The Hector Interconnect shall not be used to avoid Wheeler Ridge Interconnect charges.
2. Southern California Gas Company may file a supplemental advice letter incorporating the modifications in Ordering Paragraph One within ten days of the date of this Resolution.
3. The supplemental advice letter shall be effective upon filing.
4. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 25, 1994. The following Commissioners approved it:

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


NEAL J. SHULMAN
Executive Director