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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3124*
SEPTEMBER 15, 1994

R E S O L U T I O N

RESOLUTION G-3124. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) REQUESTS APPROVAL OF NONSTANDARD FIRM TRANSPORTATION SERVICE AGREEMENTS BETWEEN PG&E AND SHIPPERS FOR FIRM INTRASTATE TRANSPORTATION SERVICE ON THE PG&E EXPANSION PIPELINE, IN COMPLIANCE WITH DECISION (D.) 94-02-042, DATED FEBRUARY 16, 1994.

THE SHIPPERS ARE DESCRIBED IN ADVICE LETTER NO. (AL) 1839-G AS THE CITIES OF BURBANK, GLENDALE AND PASADENA (CITIES), SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E), AND SOUTHERN CALIFORNIA EDISON COMPANY (EDISON); PARAMOUNT RESOURCES U.S., INC. (PARAMOUNT) IN AL 1840-G; INVERNESS ENERGY, LTD. (INVERNESS) IN AL 1841-G; NORTHERN CALIFORNIA POWER AGENCY/TURLOCK IRRIGATION DISTRICT (NCPA/TID) IN AL 1842-G; VECTOR ENERGY COMPANY (VECTOR) IN AL 1843-G.

BY ADVICE LETTERS 1839-G, FILED ON MARCH 18; AND 1840-G THROUGH 1843-G, FILED ON MARCH 21.

SUMMARY

1. Decision (D.) 94-02-042 dated February 16, 1994, authorized Pacific Gas and Electric Co. (PG&E) to file with the Commission for approval of firm pipeline expansion transportation service agreements between PG&E and various shippers. The Commission directed PG&E to file these nonstandard agreements by advice letter, for Commission evaluation and approval determining that the contracts are consistent with the Project's certificate authority as described in D. 90-12-119.

2. PG&E filed Advice Letter (AL) No(s). 1839-G through 1843-G to implement the negotiated contracts with each of its shippers, as described in D. 94-02-042.

3. The following protests were filed on these advice letters:

- AL 1839-G; NCPA/TID
Edison and SDG&E- Comments only
The Cities
The Division of Ratepayer Advocates
- AL 1840-G; Paramount
- AL 1841-G; Inverness
- AL 1842-G; NCPA/TID
- AL 1843-G; Vector

4. This resolution grants PG&E's request.

5. This resolution (1) clarifies the Commission's interpretation of the Uniform Terms of Service provision for as-available service, (2) addresses shippers' request to terminate firm transportation agreements with PG&E, (3) reaffirms the Commercial Operation Date for the Pipeline Expansion Project, (4) verifies that approval of the nine non-standard firm transportation agreements do not contain provisions inconsistent with the incremental rate structure adopted for the Expansion Project, and (5) compares the terms and conditions in PG&E's pro-forma standard agreements with those of the nine non-standard agreements.

BACKGROUND

1. The Commission granted PG&E a Certificate of Public Convenience and Necessity for the Expansion Project in D. 90-12-119, consisting 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 the new pipeline from the Oregon-California border to the Brentwood Compressor Station in Contra Costa County. Pursuant to Application (A.) 93-03-038, the Commission adopted interim rates, terms and conditions for the Expansion Project, 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. PG&E filed AL(s) 1839-G through 1843-G as discussed in Finding of Fact No. 77 of D. 94-02-042, which states that nonstandard contracts be filed with the Commission via the advice letter process. The Commission decided that because the service is new and competitive, PG&E should follow conventional contract approval procedures, including the 20-day protest period, responses within five business days, and approval by resolution if substantive protests appear. Nonstandard provisions subject to this review procedure include rate design changes, levelized rates, assumption of risks for refunds or upward adjustments, and terms and conditions.

3. The Commission rejected PG&E's proposal to designate contracts for confidential handling (Finding of Fact 78, D. 94-02-042) because the Commission believes that the costs of the confidentiality of information prejudicing some negotiations are outweighed by the benefits of an open market.

4. As discussed in D. 94-02-042, Edison and SDG&E disputed PG&E's handling of the Uniform Terms of Service (UTS) provision, also known as a "most favored nation" provision. The UTS provision would allow firm shippers to obtain the same terms and conditions of service later offered to other shippers. Specifically, the shippers believe the UTS provision should also include as-available service discounts for firm shippers. The Commission did not address this issue; instead, it chose to allow PG&E to address this issue when PG&E submits its Expansion Project firm service agreements for Commission approval (Finding of Fact 79, D. 94-02-042).

5. The Commission, at the shipper's option, granted a limited waiver of Sections IX and X of GO 96-A. The Commission waived only the requirements that standard and nonstandard contracts be subject to future Commission change or modification, and only following initial approval, as described in Finding of Fact No. 80 of D. 94-02-042.

NOTICE:

1. Public notice of AL's 1839-G through 1843-G was recorded in the Commission's calendar on March 24, 1994, and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received four protests to AL 1839-G. NCPA/TID filed its protest on April 8, 1994; PG&E filed a response to the protest on April 15, 1994. Edison and SDG&E filed protests on April 12, 1994; PG&E responded to these protests on April 15, 1994. The Cities filed its protest on April 8, 1994; PG&E responded on April 18, 1994. DRA filed its protest on April 7, 1994; PG&E responded to the protest on April 19, 1994.

2. One protest was filed to AL 1840-G by Paramount on March 30, 1994 (request for extension), and April 20, 1994; PG&E's response to the protest was received on March 28, 1994 and April 29, 1994, respectively.

3. One protest was filed to AL 1841-G by Inverness on April 8, 1994; PG&E's response to the protest was received on April 15, 1994.

4. One protest was filed to AL 1842-G by NCPA/TID on April 12, 1994; PG&E's response to the protest was received on April 19, 1994.

5. One protest was filed to AL 1843-G by Vector on April 11, 1994; PG&E's response to the protest was received on April 18, 1994.

DISCUSSION

1. Two areas of concern to the shippers above are (1) clarification of the Uniform Terms of Service provision as it applies to unsubscribed (as-available) firm capacity, and (2) shippers' request to terminate firm transportation agreements with PG&E. CACD also clarifies the Commercial Operation Date for the Pipeline Expansion Project, verifies that approval of the nine non-standard firm transportation agreements do not contain provisions inconsistent with the incremental rate structure adopted for the Expansion Project, and compares the terms and conditions in PG&E's pro-forma standard agreements with those of the nine non-standard agreements.

AL 1839-G: AGREEMENTS BETWEEN PG&E AND THE CITIES, SDG&E AND EDISON

EDISON/SDG&E

2. Edison and SDG&E do not address the UTS issue. Instead, they believe that the Agreements can be approved without resolution of this interpretation issue which could be considered at a later time.

3. PG&E responded that under the Commission's "market decision" standards for the Expansion Project (D. 90-12-119), the words contracting parties have agreed to are the words that should be approved. PG&E also believes that AL 1839-G seeks approval of the terms of the executed agreement and not individual interpretation of those terms.

THE CITIES OF BURBANK, GLENDALE AND PASADENA

4. The Cities' protest requests that the Commission approve the agreements and amendments as filed without revision or modification of any sort. In addition, The Cities have asked the Commission to interpret whether the UTS provision found in the amendment of the Agreements should apply to unsubscribed firm capacity which is now being marketed by PG&E as "As-Available" service. The Cities believe that this "As-Available" service should be regarded as firm transportation service for purposes of applying the UTS provision.

The Cities contend that UTS language was included in the XT-1 tariff that was originally proposed by PG&E to apply to firm transportation service provided through the PG&E Expansion Project. For prospective firm transportation customers to whom PG&E was attempting to market Expansion Project capacity in 1990 and 1991, the inclusion of the UTS language in the XT-1 tariff was a critical element of the total package being offered by PG&E. Even with the UTS language, PG&E was unable to get subscriptions of the full amount of firm Expansion Project capacity. Most of the capacity was unsubscribed when the PG&E Expansion Project was placed in service on November 1, 1993, and it remains unsubscribed today. The Cities further stated that PG&E responded to the marketing challenges presented by a dramatically undersubscribed project by unilaterally deciding it would not request Commission approval of the originally proposed XT-1 tariff with the UTS provision. Instead, PG&E approached original Expansion Project customers such as the Cities with a proposal to include the XT-1 tariff language in an amendment to the customers' existing Agreements. Thus, it appeared that PG&E's original customers would continue to get the benefit of the bargain struck when they first signed contracts for Expansion Project service, including use of the UTS provision, even though the tariff for Expansion Project firm service would not contain all of the language contained in the original XT-1 tariff. Simultaneously, the Cities contend, PG&E also repackaged a portion of the unsubscribed Expansion Project firm capacity as what PG&E called "As-Available" service, and PG&E announced it would not recognize requests by existing shippers for application of the UTS language to contracts for this so-called as-available service.

5. PG&E does not agree with the Cities that the UTS provision should be resolved now. PG&E suggests that the agreements be approved and that the issue of the UTS provision be resolved through the Commission's complaint process. PG&E further states that if the Commission should decide to address this issue at this time, firm service and as-available service should be viewed as completely distinct and mutually exclusive. Firm service on the Expansion will be provided under a default Modified Fixed Variable (MFV) rate design, with substantial demand charge responsibilities and a 95% assumed Expansion throughput used to calculate the volumetric component. As-available, by contrast, is obtainable on a purely volumetric basis with no demand charge responsibility and rates calculated on an approved 70% load forecast. PG&E further states that any unsubscribed Expansion firm capacity would have to be sold on an interruptible/as-available service basis.

NCPA/TID

6. NCPA/TID are not and do not claim to be a party to any of the agreements filed by PG&E in AL 1839-G. Instead, NCPA/TID are concerned that the Commission's review of the contracts submitted by AL 1839-G will prejudge the resolution of certain issues that might arise in relation to other contracts, namely the UTS provision and status of termination rights.

7. PG&E responded that NCPA/TID's contract which was filed separately by PG&E could theoretically raise issues that are not present with respect to the five contracts filed with AL 1839-G. PG&E further states that this possibility is no justification for a delay of the Commission's approval of these five contracts. NCPA/TID has presented no argument that AL 1839-G contracts are inconsistent with the Expansion Project's certificate authority and has shown no justification for delaying the prompt approval requested by the parties to the contracts in AL 1839-G.

DRA

8. DRA's comments to AL 1839-G state that the Agreements should be evaluated only to establish that the contracts are consistent with the Expansion's certificate authority as stated in D. 94-02-042. DRA further states that it is concerned that the Commission clearly indicate that review of the reasonableness of Edison's and SDG&E's decisions to enter into firm service agreements over the Expansion will be decided in their respective reasonableness review proceedings and is in no way predetermined by acceptance of this advice letter.

9. PG&E agrees with DRA's assessment of the scope of the approval contemplated by D. 94-02-042.

AL 1840-G: AGREEMENT BETWEEN PG&E AND PARAMOUNT

10. Paramount states in its protest that it has unilaterally terminated its agreement with PG&E by letter dated January 31, 1994, and that it is inappropriate for the Commission to approve the Agreement. Paramount also claims that PG&E has breached its Agreement. First, Paramount claims that PG&E has tried to substitute less favorable terms for shippers without the shippers' consent. Paramount states that PG&E never submitted Schedule XT-1 for Commission approval, the schedule that the transportation of gas would've been performed under. Paramount further challenges PG&E for substituting Schedule GXF-1 for Schedule XT-1 and believes that Schedule GXA, as-available service schedule, is more properly considered a superseding rate schedule, based on Paragraphs 6.1 and 6.2 of the contract and paragraph 11 of Schedule XT-1.

Second, Paramount claims that PG&E has waited 2 1/2 years to solicit the CPUC's approval of this and other contracts related to the Expansion Project and that this delay amounts to breach of an implied condition that PG&E promptly would submit the contracts to the Commission after the contracts were signed. Paramount refers to Paragraph 1.3 of the contract PG&E has with NCPA/TID (AL 1842-G) as the basis for Paramount's claim of PG&E's breach of contract. Namely, that PG&E would submit the contract to the CPUC and that the CPUC would approve or amend the contract all within 180 days from the date of the Agreement. Third, Paramount is upset that PG&E has been offering the "as-available" service at a discount rate, without extending the discount to firm shippers, and hence claims that PG&E has breached its Agreement in paragraph 11, the Uniform Terms of Service Provision. Finally, Paramount contends that the Expansion Project has not gone into commercial operation. Paramount proposes that the Commission specify that the Project will go into commercial operation only when PG&E has signed sufficient firm contracts to support the commercial viability of the Project.

11. PG&E has responded that Paramount's protest is an attempt to use the Commission's contract approval procedure to wriggle out of its binding firm transportation commitment for no other reason than that Paramount now believes it is more lucrative to sell natural gas in California under as-available arrangements. Regarding breach of paragraph 11 of draft Rate Schedule XT-1, PG&E states that Schedule XT-1 was superseded by Rate Schedule GXF-1, which was approved by the Commission in D. 94-02-042. Paragraph 6.2 of the contract further states that "PG&E shall have the unilateral right from time to time to propose and file with the CPUC changes in the rates... the Rate Schedule...or any provisions of the General Terms and Conditions." PG&E asserts that it exercised this right in the Expansion interim rate case by filing Rate Schedule GXF-1. Paramount was represented in that proceeding by the Canadian Association of Petroleum Producers in which GXF-1 was approved. Paramount's claim that PG&E had an obligation to file the Agreements promptly is based on unspecified references to NCPA/TID's Agreement, which differs materially from Paramount's Agreement. Even if Paramount's contract did include this clause, it would be no indication of a commitment by PG&E to file the Agreements within a prescribed time period. Instead, the provision clearly states the full extent of the parties' agreement, namely that NCPA/TID had a right to terminate if the CPUC took certain actions within 180 days from the effective date of the PG&E and NCPA/TID Agreement. Third, paragraph 11 by its own terms applies only to a modification of a term or condition in an effective Firm Transportation Service Agreement. Paragraph 11 gave Paramount no rights with respect to as-available or interruptible service agreements.

Finally, Paramount's discourse on the commercial operation date of the Expansion ignores that the Commission, not PG&E, already has decided this issue in Decision 93-10-069, ordering paragraph 5. The Commission set forth criteria for determining the commercial operation date of the Expansion. On November 8, 1993, PG&E filed AL 1813-G, approved on February 9, 1994, in which PG&E demonstrated that those criteria had been met.

AL 1841-G: AGREEMENT BETWEEN PG&E AND INVERNESS

12. Inverness filed its protest on the basis that it has terminated its Agreement with PG&E effective March 7, 1994. Inverness claims that certain terms and conditions in the original contract and rate schedule have not been satisfied by PG&E and hence, leads to these breaches of contract: (1) Uniform Terms and Conditions (via XT-1 Tariff Schedule) gives Inverness the right to full discounting, (2) PG&E had the obligation to inform Inverness of any shipper exiting out of their contract and failed to do so, (3) PG&E had the obligation to offer Inverness any contract signed by others and failed to do so, and (4) due to the discounting of service by PG&E, Inverness has been financially distressed in the marketplace.

13. PG&E's response to this protest is that Inverness makes no assertion that the nonstandard Firm Transportation Agreement in AL 1841-G is in any way inconsistent with the Expansion's certificate authority. Inverness has shown no reason why its claim should not be addressed by complaint after the form of the Agreement has been approved as acceptable under PG&E's certificate authority. PG&E further states that Inverness provides no reference or quote to the "certain terms and conditions" that have not been satisfied. The Inverness Agreement does not and never has contained any "termination" rights. PG&E also claims that Inverness ignores the fact that the Agreement states that it is "subject to the applicable provisions of PG&E's Rate Schedule XT-1, or superseding rate schedules (Paragraph 6.1). XT-1 has been superseded by the approved Firm Rate Schedule G-XF1. PG&E offered Inverness the opportunity to incorporate the XT-1 provisions by contract amendment, as described in D. 94-02-042 (mimeo at 51), but Inverness chose not to execute such a contract amendment (AL 1841-G, p. 2).

AL 1842-G: AGREEMENT BETWEEN PG&E AND NCPA/TID

14. NCPA/TID filed its protest on the basis that it has terminated its Agreement with PG&E effective June 1, 1994. NCPA/TID have requested that the Commission defer its review and approval of its contract with PG&E until the Commission has acted on its application for rehearing of D. 94-02-042, filed on April 7, 1994.

15. PG&E's response to this protest is that NCPA/TID makes no assertion that the nonstandard Firm Transportation Agreement in AL 1842-G is in any way inconsistent with the Expansion's certificate authority. PG&E requests that NCPA/TID's request for delay in Commission approval of the Agreement be denied.

AL 1843-G: AGREEMENT BETWEEN PG&E AND VECTOR

16. Vector protests AL 1843-G on the following grounds: (1) the contract amendment filed by PG&E in AL 1843-G does not represent the same terms and conditions first executed by Vector in its Agreement applicable to service under Rate Schedule XT-1, dated October 31, 1991, (2) PG&E did not file and provide its Agreement within the specified time frame, for review and acceptance by the CPUC as required by D. 90-12-119. PG&E has deliberately waited 2 1/2 years to submit the Vector/PG&E Agreement for Commission approval, (3) Vector has been economically disadvantaged by PG&E's actions which have destroyed the commercial value of Vector's contract. By failing to obtain market support for its project by continuing to build for a larger capacity than what PG&E knew was supported by firm contracts, PG&E needed to protect itself and its shareholders from overbuilt costs and charges by offering discounted rates as an inducement to utilize such overbuilt capacity, thereby providing firm transportation access for new shippers that do not execute thirty year transportation agreements on the PG&E Expansion, and (4) the UTS provision applicable to service under Rate Schedule XT-1 allowed for the offer and fair application by PG&E of any rate changes to any other shippers then receiving service under the Rate Schedule. Under Rate Schedule G-XA (which is attached to and made part of Rate Schedule G-XF- which PG&E has alleged is an appropriate superseding Rate Schedule to XT-1), there exist discounted rates under the title of "as-available". These discounted rates have never been offered nor applied to Vector's transportation. It is Vector's belief that under its UTS provisions, Vector should be entitled to benefit from these discounts should the CPUC accept Rate Schedule G-XA.

17. PG&E has responded that Vector has identified no material dissimilarity between the Amendment and superseded Schedule XT-1. PG&E believes the contract amendment contains the provisions previously found in superseded draft Rate Schedule XT-1. In response to Vector's second concern, PG&E believes the Agreement contains no such "specified time frame". Since the Agreement hasn't changed, its approval any earlier would have placed Vector in exactly the same position it will occupy with approval of the Agreement presented in AL 1843-G. Regarding Vector's third concern above, PG&E believes that the fact that not all the Expansion Project capacity is subscribed has no impact on Vector's obligations since its cost responsibility is only for its pro rata share of the Expansion Project's overall capacity.

Lastly, PG&E finds Vector's claim that it should be entitled to the terms and conditions of any Expansion Project as-available service agreements unreasonable. PG&E believes the UTS provision referred to by Vector is expressly and explicitly available only if PG&E modifies or changes any term or condition specified in an effective Firm Transportation Service Agreement. By its terms, it does not apply to non-firm agreements. PG&E believes this interpretation issue should be heard after the approval of the Agreement between PG&E and Vector.

**FILING OF NON-STANDARD CONTRACTS AS DISCUSSED IN SECTION 8.1 OF
DECISION NO. 94-02-042**

18. The Commission Advisory and Compliance Division (CACD) believes PG&E's filing of the nonstandard firm transportation agreements in AL 1839-G through 1843-G is in compliance with the Commission's Finding of Fact No. 77 of D. 94-02-042, which states "Other nonstandard contracts should be filed with the Commission under conventional advice letter procedures, as discussed in this decision."

19. The Commission in D. 94-02-042, Section 8.1 of the discussion, allowed PG&E to file nonstandard agreements, such as those filed via Advice Letter 1839-G through 1843-G, for Commission evaluation and approval determining that the contracts are consistent with the Project's certificate authority. The Commission further stated that should the UTS provision issue not be resolved between PG&E and its shippers regarding offering firm shippers the same terms and conditions offered to as-available shippers, the issue would be revisited when the contracts are submitted for approval. Hence, the Commission will address the UTS provision in this resolution.

UNIFORM TERMS OF SERVICE (UTS) PROVISION

20. The UTS Provision, also known as "most favored nation" provision as stated in Rate Schedule XT-1, allows shippers to obtain the same terms and conditions of service later offered to other shippers. It states:

"If PG&E modifies or changes any term or condition specified in an effective Firm Transportation Service Agreement with any shipper receiving service under this rate schedule, within sixty (60) days thereafter, PG&E shall offer to make the same term(s) and condition(s) applicable to any other shipper then receiving service under this rate schedule."

21. In the amendment to the Firm Transportation Service Agreement (FTSA) as submitted in AL 1839-G, Section 8, Uniform Terms of Service, PG&E reiterates the UTS provision of Schedule XT-1.

22. The UTS provision in the FTSA is clearly applicable only to firm transportation service agreements. If PG&E had offered the as-available service to any one of the shippers and not to others, then and only then would PG&E be in violation of the UTS provision. The intent of this clause is to offer firm shippers who have already signed an agreement with PG&E for firm service the same terms and conditions offered to future firm shippers should a more desirable negotiated offer be made by PG&E. PG&E must first make this offer to a shipper before it can be offered to other shippers as stated in the UTS provision.

SHIPPER'S REQUEST TO TERMINATE FIRM TRANSPORTATION AGREEMENTS WITH PG&E

23. The issue surrounding shippers' requests to terminate their agreements with PG&E is not addressed in this resolution. The issue generally pertains to the administration of the contracts under rules of contract law. The scope of this resolution does not extend beyond determining whether the nine nonstandard contracts are consistent with the Expansion Project's certificate authority. The contracts are approved by the Commission because, for its purposes--ensuring that costs of the Expansion Project are not transferred to PG&E's existing system ratepayers--they are acceptable. This approval does not indicate anything in addition to the Commission's purposes as described in D. 94-02-042. Specifically, it does not pass on the question of whether the contracts are extant or terminated, nor does it comment on reasonableness. If indeed the contracts are valid, then this approval represents an important step before PG&E may make them effective. (See General Order 96-A §X(A).) However, if they are not valid, the approval contained in this resolution does not serve to make them so. The Commission advises Inverness, Paramount and NCPA/TID, the shippers requesting termination of their Firm Transportation Service Agreements with PG&E, to avail themselves of the various forums and remedies that exist outside of this Commission.

COMMERCIAL OPERATION DATE

24. In Ordering Paragraph 6 of D. 93-10-069 dated October 20, 1993, the Commission addressed the criteria for the commercial operation date (COD) of the expansion project. PG&E filed Advice Letter No(s). 1809-G and 1813-G, which were effective on November 1, 1993 and November 8, 1993, respectively, which met the criteria as described in Ordering Paragraph 6 of D. 93-10-069.

25. In compliance with Ordering Paragraph 8 CACD notified the Commission by letter dated December 1, 1993, to the Executive Director, verifying the completion of the criteria by PG&E and a declaration of the commercial operation of its pipeline expansion project. The COD is November 1, 1993.

**APPROVAL OF THE NON-STANDARD FIRM TRANSPORTATION AGREEMENTS
WILL NOT GRANT ROLLED-IN RATES**

26. CACD has verified that the Pipeline Expansion rates set forth in these non-standard agreements are on an incremental cost basis and not as rolled-in rates. The firm rate for firm shippers under the non-standard agreements is specified in Rate Schedule G-XF, the successor to Schedule XT-1 that is referenced in the contracts, and approved in D. 94-02-042. As discussed below, these Agreements do not contain provisions that would result in a different rate, rolled-in or otherwise, for firm shippers.

27. A provision in Paragraph 3.4 of NCPA's contract allowed PG&E to offer customers the economic equivalent of PG&E's roll-in proposal for service to PG&E's intrastate distribution pipeline system based on the Commission's rate design decision, D. 91-06-017. This resolution does not address whether this provision is no longer in effect or not. The Commission stated in page 11 of D. 92-10-056:

"We find that PG&E's contractual assumption of the difference between rolled-in rates or the "economic equivalent" and incremental rates is fully consistent with our previous assignment of market risk to PG&E's shareholders in D. 90-12-119."

28. Discounting to NCPA or any other shipper, approximating the economic equivalent of rolled-in rates does not alter the incremental rate design or the ability to discount, both of which were adopted for the pipeline expansion service in D. 94-02-042.

**COMPARISON OF TERMS AND CONDITIONS IN THE PRO FORMA STANDARD
FORM AGREEMENT (FORM NO. 79-791) AND THE NINE NON-STANDARD
AGREEMENTS FILED IN AL NO(S). 1839-G THROUGH 1843-G**

29. The following is a list of the major differences between the non-standard contracts and the pro-forma agreements:

<u>Non-Standard Agreements</u>	<u>Pro-Forma Agreements</u>
-Thirty year term (Sec 3.1)	-Min. two year term (Sec 4.1)
-Termination provisions with diff. triggers (Sec 3.2-3.3)	-No provision for termination
-Rate cap based on incremental postage stamp method. (Sec 6.3)	-No rate cap; option for straight fixed variable rate design (Sec 7.5)
-No dispute resol. provision	-Dispute resolution (Sec 9)

30. The contract differences, in general, represent risks and obligations to be borne by the signatories to the contracts.

FINDINGS

1. PG&E filed Advice Letter No(s). 1839-G through 1843-G in compliance with D. 94-02-042, Finding of Fact No. 77, dated February 16, 1994.
2. PG&E filed AL No(s). 1839-G through 1843-G for Commission evaluation and approval determining that the contracts are consistent with the Project's certificate authority as discussed in Section 8.1 of D. 94-02-042.
3. The intent of the UTS clause is to offer firm shippers who have already signed an agreement with PG&E for firm service the same terms and conditions offered to future firm shippers should a more desirable negotiated offer be made by PG&E. PG&E must first make this offer to a shipper before it can be offered to other shippers as stated in the UTS provision. The UTS provision in the FTSA is clearly applicable only for firm transportation service agreements. If PG&E had offered the as-available service to any one of the firm shippers and not to others, then and only then would PG&E be in violation of the UTS provision.
4. The issue surrounding shipper's requests to terminate their agreements with PG&E is not addressed in this resolution, as it pertains to administration of the contracts and is thus outside the scope of this resolution.
5. CACD has verified that PG&E has met the Commission's criteria for the commercial operation date (COD) of the expansion project. The COD is November 1, 1993.
6. CACD has verified that the nine non-standard firm transportation agreements do not contain provisions inconsistent with the incremental rate structure adopted for the Pipeline Expansion Project.

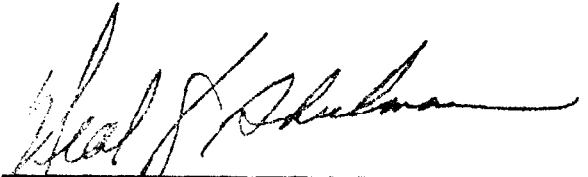
Sept. 15, 1994

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company's (PG&E's) Advice Letter No(s). 1839-G through 1843-G are approved.
2. The protests submitted by NCPA/TID, Paramount, Inverness, Vector, Edison and SDG&E are denied as discussed herein.
3. The Cities' protest in AL 1839-G to clarify the UTS provision is granted as discussed herein.
4. DRA's comments to AL 1839-G to approve the Agreements to establish that the contracts are consistent with the Expansion Project's certificate authority is granted as discussed herein.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 15, 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