

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION

RESOLUTION G-3138
August 3, 1994

R E S O L U T I O N

RESOLUTION G-3138. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) REQUESTS APPROVAL OF TARIFF SHEETS IMPLEMENTING A NEW GAS STORAGE PROGRAM FOR UNBUNDLED NONCORE STORAGE SERVICE INCLUDING CHANGES TO ALL CORE AND NONCORE RATES, IN COMPLIANCE WITH DECISION (D.) 94-05-069, DATED MAY 25, 1994.

BY ADVICE LETTER 1852-G, FILED ON JUNE 2, 1994.

SUMMARY

1. This filing was authorized by Decision (D.) 94-05-069 dated May 25, 1994. Pacific Gas and Electric Co. (PG&E) is filing revised tariff sheets implementing a permanent gas storage program. Changes to the tariffed noncore and core storage rates are the result of cost allocation changes.

This advice letter is protested by:

Toward Utility Rate Normalization (TURN); protesting unauthorized reassignment of unused storage capacity, storage withdrawal capacity reservation, and the use of 1992 year-end book value for McDonald Island storage facilities;

City of Palo Alto; protesting storage withdrawal capacity reservation in excess of authorized amount and seeking clarification of Schedule G-WSL;

Sunrise Energy Services, Inc; protesting Schedule G-CSP on the basis that it did not reflect a core subscription price based solely on PG&E's flowing supplies.

The above protests are justified and appropriate changes are ordered.

2. This resolution grants PG&E's request as modified.

BACKGROUND

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1. In D.93-02-013 the Commission: (1) unbundled noncore storage services; (2) adopted a "let the market decide" policy for construction or expansion of storage facilities that serve noncore customers, and put utility shareholders at risk for recovery of related costs; (3) adopted rules for storage rates, service, and access and interconnection with independent storage providers; and (4) approved with revisions an unbundled storage program proposed by Southern California Gas Company (SoCalGas).

2. Also in D.93-02-013 the Commission rejected an unbundled storage program proposed by Pacific Gas and Electric (PG&E). PG&E was directed to design a program which:

"(1) unbundles storage service and costs into injection, inventory, and withdrawal functions; (2) comports with the policies and rules adopted in this decision; (3) incorporates the results of the recent open season into forecasts of demand for storage services; (4) reflects the cost allocation principles adopted in the implementation phase of [Investigation] I.86-06-005, if possible; and (5) refines storage implementation plans, including the expansion facilities assumed in calculation of marginal costs."

PG&E submitted a revised program and the Commission ordered in D.94-05-069 that PG&E file an Advice Letter implementing its revised program. This resolution addresses PG&E's compliance filing.

3. PG&E's filing includes marginal storage costs derived using allocated incremental costs and core storage reservations as adopted in D.94-05-069. The resulting rates are subject to revision after PG&E files a 15-year least-cost resource plan in its next Biennial Cost Allocation Proceeding (BCAP) as ordered in D.94-05-069. Rates may change as a result of changes to marginal cost calculations and storage reservation levels precipitated by a new least-cost resource plan.

NOTICE

1. Public notice of AL 1852-G was recorded in the Commission's calendar on June 7, 1994, and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received three protests to AL 1852-G. TURN, the City of Palo Alto, and Sunrise Energy Services, Inc. filed their protests on June 22, 1994. PG&E responded to the protests on June 29, 1994.

TURN

2. Turn protested the filing on a number of issues. First, TURN indicates that the second paragraph of Section 3, on Original Cal.P.U.C. Sheet No. 16638-G, incorrectly reassigns

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unused storage capacity to the core. Such reassignment was not ordered in the D.94-05-069.

3. PG&E agrees with TURN and will remove the language pertaining to reassignment of the unused storage costs to the core.
4. Second, Revised Cal.P.U.C. Sheet No. 16648-G shows a core storage withdrawal capacity reservation of 1,023 million cubic feet per day (MMcfd) while the final decision indicates a core storage withdrawal capacity reservation of 823 MMcfd.
5. PG&E agrees with TURN and will change Schedule G-CT (Sheet No. 16648-G) and Schedule G-WSL (Sheet No. 16631-G) to reflect a core storage withdrawal reservation of 823 MMcfd.
6. Third, TURN questions the use of the 1992, rather than the 1993, year-end book value for the McDonald Island storage facility in PG&E's workpapers.
7. PG&E responds that 1993 data was not available at the time Advice Letter 1852-G was prepared. PG&E estimates that using 1993 data will have a minimal effect on rates but will revise rates to reflect the 1993 book-value if so ordered by the Commission. CACD recommends that PG&E revise rates to reflect the 1993, year-end book value for the McDonald Island storage facility.
8. TURN seeks clarification as to whether the entire storage rate base is shown in PG&E's workpapers.
9. PG&E responds that the rate base shown represents only the McDonald Island book-value, not the entire storage rate base. Only McDonald Island is relevant to calculate rates based on the allocated incremental ratemaking methodology ordered in D.94-05-069.
10. TURN wonders why the subfunctional allocation factors on page CA-2 differ from those on CA-5.
11. PG&E responds that the methodology used in both workpapers is identical. The difference is that CA-5 reflects the allocation percentages for calculation of rates for an expansion facility. PG&E has not filed for expanded storage rates so they need not be calculated. Workpaper CA-2 reflects the subfunctionalization percentages applied to PG&E's existing facilities.

City of Palo Alto

12. The City of Palo Alto believes that the withdrawal capacity of 1,023 MMcfd shown in Schedules G-WSL and G-CT is inconsistent with D.94-05-069. The actual reservation should be 823 MMcfd.
13. PG&E agrees that the annual core storage withdrawal should be 823 MMcfd and will change Schedules G-WSL and G-CT to reflect this fact.

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14. The City of Palo Alto requests that Schedule G-WSL include language indicating that PG&E will act promptly to confirm wholesale customers' requested core reliability reservation prior to the Open Season for the noncore storage program.

15. PG&E will include the following in Schedule G-WSL to further clarify:

"PG&E will confirm the customer's core reservation amount prior to the Open Season process, for the noncore storage program, listed in Schedule G-STOR."

SUNRISE ENERGY SERVICES, INC.

16. Sunrise Energy Services, Inc. believes that PG&E's Schedule G-CSP does not reflect a core subscription price based solely on PG&E's flowing supplies. Sunrise also requests changes to PG&E's Preliminary Statement to reflect the appropriate accounting for costs of such service.

17. PG&E responds that it will make the necessary changes to its Preliminary Statement removing the storage price function benefit from the core subscription gas prices if the Commission so orders. CACD recommends that PG&E make the necessary changes.

18. Sunrise states that Schedule G-CSP should also show that if PG&E uses reservation for core and core subscription customers, PG&E will impose an additional unbundled storage charge on such customers.

19. PG&E responds that PG&E has not made a price function reservation for core and core subscription customers. If, in the future, such a capacity reservation were made for core price function benefits, associated costs would be allocated in a future rate case or advice letter filing process.

20. Minor errors were discovered in Schedule G-STOR at Original Cal P.U.C. Sheet No. 16637-G. PG&E will revise paragraph 2 of this sheet to conform to Original Cal P.U.C. Sheet No. 16635-G Section 3. Paragraph 2 will be revised to read "Schedule G-CSP customers electing Basic Storage Service will pay the Reservation and Variable Charges for Basic Storage Service set forth in the Rates Section of this schedule."

21. The second revision will conform this sheet to Schedule G-CSP. Section 1, Inventory, will be revised to read "Schedule G-CSP Customers electing Basic Storage Service may contract for inventory capacity equal to seven times their Maximum Daily Quantity (MDQ) as specified in their Natural Gas Service Agreement (Form No. 79-764)."

FINDINGS

1. PG&E filed Advice Letter No. 1852-G per Ordering Paragraph No. 6 of.

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2. The Advice Letter was protested by TURN, City of Palo Alto, and Sunrise Energy Services.

3. PG&E should revise its filing to incorporate the following changes raised in the protests:

a. remove the language pertaining to reassignment of the unused storage costs to the core in the second paragraph of Section 3, on Original Cal.P.U.C. Sheet No. 16638-G

b. change withdrawal capacity reservation from 1,023 MMcfd to 823 MMcfd in Schedules G-CT and G-WSL.

c. 1993 year-end book value of McDonald Island storage facilities should be used to revise rates

d. Schedule G-WSL to include "PG&E will confirm the customer's core reservation amount prior to the Open Season process, for the noncore storage program, listed in Schedule G-STOR."

e. the Preliminary Statement should be revised to remove the storage price function benefit from the core subscription gas prices.

f. Paragraph 2 of Original Cal P.U.C. Sheet No. 16637-G will be revised to read "Schedule G-CSP customers electing Basic Storage Service will pay the Reservation and Variable Charges for Basic Storage Service set forth in the Rates Section of this schedule."

g. Section 1, Inventory, of Original Cal P.U.C. Sheet No. 16637-G will be revised to read "Schedule G-CSP Customers electing Basic Storage Service may contract for inventory capacity equal to seven times their Maximum Daily Quantity (MDQ) as specified in their Natural Gas Service Agreement (Form No. 79-764)."

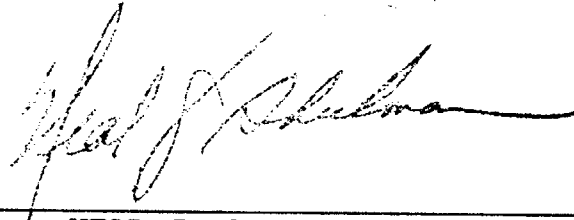
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THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company's (PG&E's) Advice Letter No. 1852-G is approved subject to the modifications listed in Finding #3.
2. The protests submitted by TURN, the City of Palo Alto, and Sunrise Energy Services, Inc. are granted as discussed herein.
3. PG&E shall file a supplemental advice letter with the changes noted in Ordering Paragraph 1 within 5 days. The 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 August 3, 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