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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID # 11572
RESOLUTION G-3475
September 27, 2012

R E S O L U T I O N

Resolution G-3475. The Southern California Gas Company (SoCalGas) requests Commission authorization for a waiver for Chevron USA from a portion of its three-year contract for backbone transportation service rights.

PROPOSED OUTCOME: This Resolution approves Southern California Gas Company's request for a one-time, non-precedential waiver for Chevron USA from a portion of its three-year commitment for backbone transportation service rights from SoCalGas.

ESTIMATED COST: None

By SoCalGas Advice Letter 4358-G filed on April 17, 2012.

SUMMARY

This Resolution approves SoCalGas' request that the Commission authorize a one-time, non-precedential waiver for Chevron USA (Chevron) from a portion of its current three-year contract with SoCalGas for backbone transportation service rights. This waiver reduces Chevron's current contract quantity by 9 thousand dekatherms per day (MDthd). This change is effective from Commission approval through the end of Chevron's current contract on September 30, 2014.

BACKGROUND

Gas transmission shippers on SoCalGas pipeline system may elect to obtain and pay for firm intrastate transmission capacity rights on SoCalGas' backbone gas transmission system. These rights are obtained at various receipt points on the

SoCalGas system, and are typically obtained in an open season conducted by SoCalGas.

Chevron is a California gas producer that delivers gas into SoCalGas' Line 85 transmission system at a number of interconnection points. One of these interconnection points, SoCalGas Orifice Meter 1C (1C), had an interconnection capacity of 9 MDthd, and Chevron historically delivered gas at that point.

On May 3, 2011, SoCalGas took the pipeline receiving gas from 1C out of service in response to a demand by the owner of the pipeline right-of-way. However, prior to taking this pipeline out of service, SoCalGas communicated to Chevron that it intended to replace the pipeline with a new pipeline in a different location and right-of-way that would still connect with 1C. On September 22, 2011, Chevron contracted for 25 MDthd of backbone transportation service rights from October 1, 2011 through September 30, 2014. According to Chevron, it took the presumed availability of 1C into account when it bid for this level of backbone transportation service rights in the mid-2011 open season. After Chevron contracted for backbone transportation service rights in September 2011, however, SoCalGas determined that it would not be building a new pipeline that would connect with 1C. SoCalGas subsequently informed Chevron of this decision.

Chevron seeks contractual relief from the 9 MDthd of backbone transportation service rights that it contends was intended solely for deliveries of California gas production into 1C. Chevron alleges that it would have bid for 9 MDthd less if it had known that SoCalGas would not be putting the pipeline receiving gas from 1C back into service. In addition, Chevron claims that it cannot use these capacity rights for deliveries to other interconnection points into the Line 85 transmission system after April 1, 2012. According to Chevron, these rights are effectively stranded by SoCalGas' post-open season determination to not construct a new pipeline that would connect with 1C.

SoCalGas filed Advice Letter 4358 on April 17, 2012. In the Advice Letter, SoCalGas requests, on behalf of Chevron, that the Commission authorize a waiver of the three-year term of service specified in the contract for the

9 MDthd at issue. This would reduce Chevron's backbone transportation service contract quantity from 25 MDthd to 16 MDthd for the month immediately following the month in which the waiver is authorized by the Commission, and for each month remaining in the existing contract term.

NOTICE

Notice of Advice Letter 4358 was made by publication in the Commission's Daily Calendar. SoCalGas states that copies of the Advice Letter were sent to the parties listed on Attachment A to the Advice Letter, which includes interested parties in Application (A.) 10-03-028, Firm Access Rights Update.

PROTESTS

Advice Letter 4358 was not protested.

DISCUSSION

The Commission approves SoCalGas' request that the Commission authorize a one-time, non-precedential waiver for Chevron USA (Chevron) from a portion of its current three-year contract with SoCalGas for backbone transportation service rights.

SoCalGas' tariff entitled Schedule No. G-BTS, Backbone Transportation Service, provides for both firm and interruptible backbone transportation service rights to SoCalGas' transmission system. Schedule No. G-BTS requires a minimum three-year commitment for firm service. However, existing law gives the Commission authority to approve deviations from tariffs in certain situations. For example, Public Utilities Code section 489(a) allows the Commission to authorize deviations from tariff provisions "from time to time, in excess of or less than those shown by the schedules." (Pub. Util. Code, § 489, subd. (a).) Similarly, Public Utilities Code Section 532 allows the Commission to authorize deviations from tariff provisions "as it may consider just and reasonable as to each public utility." (Pub. Util. Code, § 532.) Finally, General Order 96-B, Section 5.1 allows a utility to seek Commission authorization to deviate from its tariffs via the advice letter process.

The instant case presents unusual circumstances in that SoCalGas was forced to take the pipeline receiving gas from 1C out of service in response to a demand by the owner of the pipeline right-of-way. This case also presents problematic timing and communication issues in that: 1) SoCalGas communicated to Chevron that it intended to replace the pipeline with a new pipeline in a different location and right-of-way that would still connect with 1C, 2) Chevron materially relied on this communication when it bid for backbone transportation service rights, and 3) SoCalGas subsequently informed Chevron that it would not, in fact, be replacing the pipeline. Chevron took the presumed availability of 1C into account when it bid for backbone transportation service rights in SoCalGas' mid-2011 open season. After Chevron contracted for firm capacity rights, which were based on SoCalGas' representations as to the availability of 1C, SoCalGas' informed Chevron that it would not be replacing the pipeline.

The unusual circumstances and chain of events in which SoCalGas was forced to take the pipeline receiving gas from 1C out of service, and in which Chevron materially relied on SoCalGas' representations regarding the availability of 1C when it bid for capacity rights, warrant a waiver for Chevron from a portion of its current three-year commitment to Schedule No. G-BTS. Accordingly, pursuant to our authority, the Commission authorizes a one-time, non-precedential waiver to reduce Chevron's backbone transportation service rights under Schedule No. G-BTS from 25 MDthd to 16 MDthd. This one-time, non-precedential waiver grants Chevron contractual relief from the 9 MDthd of backbone transportation service rights under Schedule No. G-BTS that were intended solely for deliveries of California gas production into 1C.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. SoCalGas filed Advice Letter 4358 on April 17, 2012 to request, on behalf of Chevron, that the Commission authorize a waiver of the three-year term of service specified in the Chevron BTS contract for the 9 MDthd at issue.
2. The Commission has authority under the Public Utilities Code and General Order 96-B to approve deviations from tariffs.
3. The unusual circumstances presented in SoCalGas Advice Letter 4358-G warrant a one-time, non-precedential waiver for Chevron from 9 MDthd of its current three-year commitment to Schedule No. G-BTS.
4. SoCalGas' request in AL 4358 should be approved.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company is authorized to reduce Chevron's contract quantity in Schedule No. G-BTS from 25 MDthd to 16 MDthd for the month immediately following the month in which this waiver is authorized by the Commission, and for each month remaining in the existing contract term.
2. Southern California Gas Company is authorized to waive the three-year term of service specified in Schedule No. G-BTS for the 9 MDthd portion of Chevron's commitment at issue.
3. The contractual relief sought for Chevron in Southern California Gas Company's Advice Letter 4358 is granted as a one-time, non-precedential waiver, and the Advice Letter is approved without modification.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 27, 2012; the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director