

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**ENERGY DIVISION**

**Agenda ID #16228**  
**RESOLUTION G-3537**  
**February 8, 2018**

**R E S O L U T I O N**

Resolution G-3537. Pacific Gas and Electric's (PG&E) Request to Modify the Core Transport Agents (CTA) Self-Managed Storage under Decision (D.)16-06-056.

**PROPOSED OUTCOME:**

- The resolution grants modifications as filed, limited to the first two years of the seven-year phase-in specified in D.16-06-056. It requires PG&E to assess the possibility of using alternate resources for CTA Self-Managed Storage from the third year. Commission staff will conduct workshops in 2018-2019 to assess phase-in and implications for system and core reliability.

**SAFETY CONSIDERATIONS:**

- There are no safety impacts foreseen arising from this resolution.

**ESTIMATED COST:**

- Costs incurred by CTAs for Self-Managed Storage will be part of their total costs and thus impact the rates charged by CTAs to their customers.

By Advice Letter 3884-G, Filed on September 21, 2017.

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## **SUMMARY**

This resolution G-3537 approves PG&E AL 3884-G with modifications. Pursuant to D.16-06-056, Ordering Paragraph 40 (OP 40),<sup>1</sup> PG&E's request in AL 3884-G to modify Gas Schedules G-CT and G-CFS, and associated forms to implement CTA Self-Managed Storage, is approved with the modification that approval is limited to the first two years of the seven-year phase-in period (2018-2020). This will allow sufficient time to gather data for the initial period of phase-in with CTAs acquiring storage capacity to replace the PG&E storage capacity previously obtained on behalf of and allocated to CTAs. Commission Staff shall conduct workshops in 2018-19, along with requiring reports to assess the experience by PG&E and the CTAs of the first and second year phase-in, including implications for system and core reliability. In conjunction with this assessment for Self-Managed Storage, PG&E shall assess the potential use of alternate resources in addition to storage in the third year phase-in and beyond.

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1. <sup>1</sup> D.16-06-056, Ordering Paragraph 40 (OP 40) states: "The Core Transport Agent Consortium's and Commercial Energy of California's proposals that Pacific Gas and Electric Company (PG&E) no longer procure storage services on behalf of the Core Transport Agents (CTA) are granted. There will be a seven-year transition period, commencing on April 1, 2018. During this transition period, PG&E will reduce the amount of storage that it procures and allocates to each CTA as follows: for the first four years (2018-2021) by 10% each year and for the last three years (2022-2025) by 20% each year. During this transition period, CTAs may still reject some or all of the PG&E-allocated core firm storage capacity, but will be responsible for those stranded costs. The CTA's procurement of storage capacity for the amount that is not allocated by PG&E may be from PG&E or a Commission-certified independent storage provider."

## **BACKGROUND**

PG&E Core Gas Supply procures firm storage capacity and injection and withdrawal rights to serve the needs of core customers. A prorated share is allocated to CTAs, which can accept this allocation in part or in full. CTAs can reject all or a portion of the storage capacity PG&E allocates to them but are required to obtain alternate resources for the amount they reject. CTAs must also certify this acquisition to PG&E. For rejected storage capacity, PG&E attempts to broker a resale, and credits CTAs with the proceeds.

D.16-06-056 authorized a transition of the procurement of storage services for CTAs from PG&E to the CTAs, to be carried out over a seven-year period beginning April 1, 2018. The storage capacity procured for CTAs will be reduced by 10% a year for 2018-21, and then by 20% each year for 2022-24. During the transition period, CTAs may reject PG&E-allocated core firm storage capacity, and obtain alternate resources, while being responsible for any stranded costs. For the component of CTA Self-Managed Storage, CTAs must obtain firm storage capacity from PG&E or from other Commission-approved Independent Storage Providers (ISPs).

AL 3884-G complies with Ordering Paragraph (OP) 40 of D.16-06-046 and revises G-CT, G-CFS and associated forms required for certification of resource acquisition, covering storage capacity and also alternate resources for the concurrent PG&E-Allocated storage capacity.

## **NOTICE**

Notice of AL 3884-G was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section IV of General Order 96-B.

## **PROTESTS**

PG&E Advice Letter 3437-G was timely protested by Shell Energy North America (US) LP (Shell), Interstate Gas Supply Inc. (IGS), and Core Transport Agent Consortium (CTAC).

PG&E responded to the protests of Shell, IGS and CTAC, on October 18, 2017.

The following is a summary of the issues raised in the protests.

CTAC summarized and stated its arguments as follows in its protest filing:

1. D. 16-06-056 was a “major victory” for CTAs, adopting the proposals of CTAC and Commercial Energy that “PG&E ‘no longer procure services on behalf of Core Transport agents,’” a seven-year transition period, and “**made no other changes** to the CTAC and Commercial Energy proposals.”
2. PG&E improperly altered the existing CTA option for Alternate Resources in its revised forms and Schedule G-CT -- changes that were not authorized by D.16-06-056 and never considered in the underlying proceeding.
3. PG&E’s proposed Gas Form 79-845M adds a cumbersome new process for CTAs electing self-managed storage that was never discussed, contemplated, or authorized in D.16-06-056.
4. PG&E’s implication that it will no longer market available storage capacity to CTAs after the end of the transition period is anti-competitive and harmful to utility gas customers.
5. D.16-06-056 directed changes only to Schedule G-CT; PG&E’s proposed changes go beyond that directive.
6. The nature of PG&E’s proposed tariff changes do not comply with the requirements in General Order 96-B for Tier 2 advice letters.

IGS in its Protest seeks a de minimis exemption from the proposed rules for CTAs with storage inventory that falls below 150,000 Dth.

The protest by Shell Energy North America (US) LP, raises the issue of allowing core storage requirement to be fulfilled with Alternate Resources, and that PG&E should simplify the process of certification to be followed by the CTAs. The issues in the Shell protest are generally contained within the issues listed in the CTAC protest.

PG&E’s responses to these protests are as follows:

PG&E stated that CTA core storage requirements were to be replaced by like-storage to ensure total core reliability on the PG&E system. It also stated that the role of alternate resources was not altered in the PG&E-Allocated storage program.

Turning to additional documentation proposed in the AL, specifically Form 79-845M, PG&E stated this was to obtain confirmation from CTAs about their acquisition of storage capacity for the Self-Managed component, and separate from the previous documentation of alternate resources.

CTAC had protested that if a CTA opted out of the PG&E allocation, PG&E sought to cut out that CTA from future access to storage capacity. PG&E responded that it had not intended to do so, and that it would continue to provide storage services under approved tariffs in future periods, including to CTAs that opted out of the PG&E allocation. However, in the Joint Workshop report of Sep 19, 2016, PG&E did suggest that CTAs that opted out of obtaining capacity from PG&E would need to continue to obtain it from other ISPs once they opted out.

Next, CTAC protested that PG&E did not comply with GO 96-B as applicable for Tier 2 AL filings, but that it would stop short of requesting that the Commission declare PG&E non-compliant in AL 3884-G. It opted to take this position because of the need to dispose of the AL expeditiously and thus allow for implementation of the Self-Managed Storage provisions to commence with allocation from Feb 1, 2018, and the transition (over seven years) from April 1, 2018.

PG&E states in its reply to protests that AL 3884-G “responds directly and appropriately to D.16-06-056.”

On IGS’s protest seeking a de minimis exception, PG&E responded that D.16-06-056 does not include a de minimis exemption.

## **DISCUSSION**

Energy Division has reviewed and analyzed PG&E's proposal, the protests, and responses to protests. This resolution grants the requested modifications as filed, but limited to two years.

D.16-06-056, OP 40 referenced the proposals during the prior proceeding by CTAC and Commercial Energy of California, and ordered that PG&E no longer procure storage services on behalf of CTAs. However, this change, to be implemented in a seven-year phase-in period, left ambiguous the role, if any, of alternate resources in addition to storage capacity resources. PG&E AL 3884-G was protested by parties, and PG&E responded to the protest (as discussed above). This resolution addresses the issue of the possibility of using alternate resources during the phase-in process. This is separate from and consistent with the use of storage capacity resources as has been previously ordered in D.16-06-056, OP 40.

Staff considered the issues protested by parties and PG&E's responses as stated above and came to the following assessment of specifics:

The most significant issue raised in the protests is the exclusion of alternate resources in the Self-Managed Storage program. In D.16-06-056, Ordering Paragraph 40 (OP 40) does not definitively address the issue of alternate resources. As written, it does not clearly state that only storage capacity will be permitted in the Self-Managed Storage program. It does specify that CTAs procurement of storage capacity not allocated by PG&E may be from PG&E or from Commission-certified ISPs.

In addition, there was discussion in the course of the proceeding of the differing responsibilities for reliability. PG&E is responsible for system reliability and the CTAs for core reliability as contractually bound for their customers. The fact that alternate resources will continue to be concurrently used in the PG&E-Allocated capacity program raises the issue of why these are excluded by PG&E in Self-Managed Storage, when the decision did not make an explicit reference to include or exclude them.

In regard to protests about additional documentation (specifically proposed Form 79-845M), staff review indicates this documentation is appropriate for a

process of certification, and is a derivative of the requirement that only storage resources be used for the self-managed component.

The above also covers similar issues of alternate resources and additional documentation in the protest raised by Shell.

Turning to CTAC's protest that CTAs that opted out of the PG&E allocation would be cut out of future access to storage capacity, this does not appear to be stated in the AL. Also, Sheet 10 of Gas Schedule G-CT states "...PG&E will be obligated to offer a declining portion of CTAs' Storage Requirement." Staff assessed the AL and subsequent clarification in response to protests as sufficient indication on balance that CTAs opting out of the PG&E allocation were not going to be excluded in the future from obtaining storage capacity from PG&E.

CTAC had protested that PG&E's proposed changes went beyond those in D.16-06-56, and that AL 3884-G did not comply with GO 96-B for Tier 2 filings. Based on review of the AL and associated forms (covering changes and additions), Staff concluded the AL as filed complies with D.16-06-056, and is assessed as being consistent with GO 96-B.

IGS's protest requested a de minimis exemption for small CTAs. However, as stated by PG&E, D.16-06-056 did not allow for any de minimis exemption for individual CTAs. Therefore the IGS protest is denied.

In order to enable timely implementation of the Self-Managed Storage program from April 1, 2018, the resolution proposes accepting the AL as filed for the first two years of the phase-in. This two-year period will allow sufficient time to assess the actual experience and outcomes of the implementation of the Self-Managed Storage program. A balance is struck between more rapid assessment based only on the first year, and a longer period of, say, three years, which would allow for a wider range of possible variation in weather events and resulting usage by CTA customers.

## **COMMENTS**

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. The Commission ordered in D.16-06-56, OP 40, that PG&E no longer procure storage services on behalf of CTAs starting April 1, 2018 over a seven year transition period.
2. During this transition period, PG&E would reduce the amount of storage it allocates to each CTA by 10% each year for the first four years (2018-2021), and then by 20% a year for the last three years (2022-2024).
3. During the transition period, CTAs may reject some or all of the PG&E allocated firm storage capacity, and obtain alternate resources other than storage capacity, while being responsible for stranded costs of the rejected capacity.
4. For the amount not allocated by PG&E and during the transition to Self-Managed Storage, CTAs may procure storage capacity from PG&E or a Commission-certified independent storage provider (ISP).
5. Pursuant to D.16-06-056, PG&E's AL 3884-G requested modifications to Gas Schedules G-CT and G-CFS, and associated forms, to implement CTA Self-Managed Storage.

6. Alternate resources are not specifically addressed in OP 40 pertaining to Self-Managed Storage.
7. The transition to Self-Managed Storage would occur concurrently with continuing implementation of the existing tariffs for PG&E-Allocated storage, and delays in the former will affect the process of allocation and contracting for the latter.

**THEREFORE IT IS ORDERED THAT:**

1. The request of Pacific Gas and Electric in Advice Letter 3884-G to modify Gas Schedules G-CT and G-CFS, and associated forms to implement Core Transport Agent Self-Managed Storage is approved with the modification that approval is limited to the first two years of the seven-year phase-in period (2018-2020).
2. As specified in Decision 16-06-056, Ordering Paragraph 40, for the Self-Managed Storage, Core Transport Agents' procurement of storage capacity for the amount that is not allocated by Pacific Gas and Electric (PG&E) may be from PG&E or a Commission-certified independent storage provider. Storage resources will be permitted under the Self-Managed Storage in the first two years, commencing April 1, 2018.
3. During 2018-2019, Energy Division Staff shall conduct workshops and specify reporting requirements for reports to be filed following the workshops to assess the implementation of Self-Managed Storage.
4. For Self-Managed Storage, Pacific Gas and Electric shall provide Energy Division with annual reports on the operational implications of allowing alternate resources, apart from storage capacity, and assess the impact of all resources on system reliability as well as core reliability. .
5. Pacific Gas and Electric must file a Tier 2 Advice Letter to update and seek approval for the subsequent years of the Core Transport Agent (CTA) Self-Managed Storage phase-in process (2020 and beyond), including specific mechanisms to potentially allow CTAs the use of alternate resources. These alternate resources would be in addition to storage capacity that CTAs shall

procure from Pacific Gas and Electric or Commission-approved independent storage providers, for the Self-Managed Storage program.

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 February 8, 2018; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director