BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED
01-16-09
03:14 PM

In the Matter of the Application of Southern California Gas Company (U 904 G), Pacific Gas and Electric Company (U 39 E), and Southwest Gas Corporation (U 905 G) for Approval of Wholesale Transportation and Exchange Agreements and Related Relief.	A.08-12-006 (Filed December 15, 2008)

PROTEST
OF THE DIVISION OF RATEPAYER ADVOCATES

I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") protests the joint Application filed on December 15, 2008, by the Southern California Gas Company ("SoCalGas"), Pacific Gas and Electric Company ("PG&E"), and Southwest Gas Corporation ("Southwest") (hereafter collectively referred to as "the Applicants"). Since the Application first appeared on the Commission's Daily Calendar on December 17, 2008, this Protest is timely filed and is concurrently served on the Applicants and each person listed in the Application at page 13.

The Application seeks Commission approval of the following:

1. The new Wholesale Transportation Agreement between SoCalGas and Southwest ("New Southwest Agreement");
2. The new Southwest Exchange Gas Delivery Agreement ("New SEGDA") between PG&E and SoCalGas;
3. Capital improvements at the Pisgah Meter Station;

4. Proposed changes to SoCalGas's rate schedule, GW-SWG, including the new Pisgah Meter Station Charges and Storage Balancing Cost Adder; and

5. Any other relief that may be necessary to effectuate the intent of the Application.[1]

The grounds for DRA's Protest are basically that the Application is not proven as reasonable and just, which requires holding an evidentiary hearing, developing a full and complete record, and affording DRA an opportunity to be heard. Unless these due process procedures are followed, the Application could harm ratepayers by resulting in unlawful rates that are prohibited by section 451 of the California Public Utilities Code.

II. BACKGROUND[2]

Since 1993, SoCalGas has provided Southwest Gas ("Southwest") wholesale gas transportation services under the California Wholesale Gas Transportation and Storage Services Agreement ("Original Southwest Agreement"). In part, this service is possible because of the Southwest Exchange Gas Delivery Agreement ("Original SEGDA") between SoCalGas and PG&E. Under the Original SEGDA, some of the gas volumes under the Original Southwest Agreement are physically delivered to Southwest via PG&E pipelines, for which SoCalGas pays PG&E an exchange fee.

In Decision ("D.") 93-07-052, the Commission approved the Original Southwest Agreement and Original SEGDA. The first term of the Original Southwest Agreement, which was for 15 years, expired on July 31, 2008. Unless terminated or amended, the Original Southwest Agreement continues in effect from year to year. Moreover, the Original SEGDA ends "conterminously," when the Original Southwest Agreement is terminated.

On January 29, 2008, SoCalGas notified Southwest in writing that it was terminating the Original Southwest Agreement.

---

[1] *Appl.* at p. 10.

[2] The Background is based on facts stated in *Res. G-3248* at 1–3.

On July 16, 2008, SoCalGas filed Advice Letter ("AL") AL 3882 seeking to establish a memorandum account to track increased PG&E exchange fee expenses related to the provision of wholesale service to Southwest. SoCalGas sought to establish by August 1, 2008, the Southwest Gas Exchange Fees Memorandum Account ("SGEFMA"), an interest-bearing memorandum account recorded on SoCalGas's financial statements, for purposes of tracking the difference between the old and interim SEGDA rates.[3]

On July 31, 2008, SoCalGas rescinded its January 29 termination of the Original Southwest Agreement. On the same day, SoCalGas and Southwest amended the Original Southwest Agreement to provide that it would remain effective until the earlier of a) September 30, 2008, and month-to-month thereafter; or b) Commission approval of a new Southwest Agreement. That same day, PG&E and SoCalGas amended the Original SEGDA so that PG&E would continue to provide interim exchange service for SoCalGas until the earlier of either a) July 31, 2009, or b) Commission approval of a New SEGDA.

On November 21, 2008, the Commission in Resolution ("Res.") G-3248 denied AL 3882, stating *inter alia* that the memorandum account could not be authorized when neither SoCalGas, PG&E, nor Southwest had filed an application or an advice letter for approval of any of the recent amendments to the Original SEGDA or Original Southwest Agreement. The Commission ordered SoCalGas, PG&E, and Southwest to continue operating under the terms of the Original Southwest Agreement and Original SEGDA, until the three utilities presented for Commission approval the new agreements and justified as reasonable any increased exchange fees. Accordingly, this Application presents the recently executed New Southwest Agreement, the New SEGDA, and additional matters for Commission review and approval. Written testimonies are also provided in support of the Application.

---

[3] According to SoCalGas, PG&E was "willing" to provide exchange service until the Commission acts on the New Southwest Agreement and a new SEGDA that were being negotiated, but only if the original SEGDA exchange fee were increased from $0.25/Dth to $0.4172/Dth. At the time AL 3882 was filed, July 16, 2008, SoCalGas and PG&E had not yet signed a written agreement to extend the Original

(continued on next page)

III. ISSUES

Based on a preliminary review of the Application, the basic issues are whether the terms and conditions of the New Southwest Agreement and the New SEGDA; any new or increased exchange fees; and any additional proposals are justified and reasonable. More specifically, DRA will seek to discover and present at the hearing data and other information that pertain to (but not limited to) the following:

- The New Southwest Agreement.
  - SoCalGas's wholesale transportation rate for natural gas delivered to Southwest through SoCalGas's delivery points; and
  - SoCalGas's rate for natural gas delivered to Southwest through PG&E's delivery points.
- The New SEGDA.
  - PG&E's proposed new exchange fee increase; and
  - Methodology for calculating and the reasonableness of PG&E's exchange fee.
- SoCalGas's proposed capital improvements at the Pisgah interconnect point.
  - The need for such improvements; and
  - The costs and rate recovery associated with the upgrade.
- Whether SoCalGas's proposed changes to rate schedule GW-SWG are justified and reasonable.
- Recovery of the wholesale transportation service charges by Southwest through the existing Intrastate Transportation Cost Adjustment Mechanism ("ITCAM").

DRA reserves the right to present additional facts and/or issues that may be subsequently discovered or otherwise arise in the course of this proceeding.

(continued from previous page)
SEGDA. *Res. G-3248* at 2.

IV. PROCEDURAL RECOMMENDATIONS

DRA concurs with the Applicants' statement on the proposed category that this proceeding should be classified as "ratesetting."[4]

DRA disagrees with the Applicants' statement that an evidentiary is unnecessary. Because the Application will have "a future effect on the rates of SoCalGas,"[5] a hearing is needed to develop a full and complete record and to afford DRA opportunity to be heard. DRA requests that the Commission convene a Prehearing Conference ("PHC") and issue a Scoping Memo setting a date for a hearing.

V. CONCLUSION

DRA would like to present a proposed schedule after a PHC is held and a Scoping Memo is issued. After these events, DRA would have a better idea of how much time it will need to conduct discovery and prepare for hearing.

Respectfully submitted,

/s/ Cleveland W. Lee

Cleveland W. Lee
Staff Counsel

Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1792
Fax: (415) 703-2262

January 16, 2009

[4] *See Appl.* p. 11.

[5] *Id.*

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of "**PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES"** in **A.08-12-006** by using the following service:

[x] **E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[ ] **U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on January 16, 2009, at San Francisco, California.

/s/ Nelly Sarmiento

Nelly Sarmiento

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

* *

SERVICE LIST
A.08-12-006

keith.brown@swgas.com
dakinports@semprautilities.com
J3LS@pge.com
mthorp@sempra.com
regrelcpuccases@pge.com
mrw@mrwassoc.com
rmd@cpuc.ca.gov