

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric Company Proposing a Market Structure and Rules for the Northern California Natural Gas Industry for the Period Beginning January 1, 2003 as Required by Commission Decision 01-09-016. (U 39 G).

Application 01-10-011
(Filed October 8, 2001)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES TO
PETITION OF THE CORE TRANSPORT AGENT CONSORTIUM AND
SHELL ENERGY NORTH AMERICA (US), L.P. FOR MODIFICATION
OF DECISION 03-12-061**

I. INTRODUCTION

In accordance with Rule 16.4 (f) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”) hereby submits its response to the Petition of the Core Transport Agent Consortium (“CTAC”) and Shell Energy North America (US), L.P. (“Shell Energy”) for Modification of Decision (D.)03-12-061. The Petitioners state that their Petition for Modification (“PFM”) of D.03-12-061 is “pursuant to the express reservation of rights set forth in Section A.9 of Appendix B to Decision 11-04-031 (“Core Transport Agent (CTA) Settlement Agreement”) granting PG&E’s Joint Motion of Settlement Parties for Approval of “Gas Accord V” Settlement.”¹ Petitioners also state that they are also concurrently filing a PFM of D.04-09-022² and that “the proposed modifications

¹ Petition of the Core Transport Agent Consortium and Shell Energy North America (US), L.P. for Modification of Decision 04-09-022, (“PFM”), p.1.

² Id., p.2.

work in tandem”. Thus Petitioners³ urge the Commission to “consider the two petitions in an integrated fashion and grant both simultaneously.”

According to Petitioners, the first PFM “seeks to replace the requirement in D.04-09-022 that Pacific Gas and Electric Company (“PG&E”) must hold between 962 and 1,058 MMcf/d of interstate pipeline capacity for the core with a requirement that PG&E must hold interstate capacity in an amount equal to between 100% and 120% of its forecast daily bundled core demand.”⁴ The latter PFM of D.03-12-061 is “to allow core transport agents (“CTAs”) to opt out of an allocation of PG&E’s interstate pipeline capacity holdings when the underlying interstate pipeline contracts come up for renewal in order to minimize their exposure to stranded costs.”⁵

The petition is without merit and should be denied because it is not supported by the record and fails to provide facts, data and analysis for the very assertions that form the basis of the proposed modification⁶. Consequently, the petition raises issues of fact and policy that are more appropriately explored through a PG&E gas proceeding. Not only is the petition out of time with respect to the decisions, but more importantly, it fails to address the consequences of the asserted change in the level of bundled core demand and the amount of capacity held for the core, any impact on the core customers’ options to the extent these could impact the rates they pay and the ultimate monthly bills, and the overall implication on the Commission’s policies to promote the core aggregation program while ensuring that California does not face a natural gas shortage in the future. DRA recommends that the Commission deny the Petitioners’ request at this time and

³ Id.

⁴ Id.

⁵ Id.

⁶ DRA’s response to both PFMs is the same. Both PFMs are identical and each seeks an outcome that can only be achieved in a PG&E proceeding.

address the issues identified in the petition in PG&E's Gas Transmission and Storage rate case application.⁷

II. DISCUSSION

In D.04-09-022, the Commission addressed the issues in Rulemaking (R.) 04-01-025 which included interstate pipeline capacity contracts, liquefied natural gas (LNG) access, and interstate pipeline access.⁸ R.04-01-025 was opened "to ensure that California does not face a natural gas shortage in the future."⁹ In D.04-09-022, the Commission states:

For the winter months, it is reasonable to set the lower bound of PG&E's capacity planning range at the current level of 962 MMcfd, and to set the upper bound at 1058 MMcfd.

For the summer months, it is reasonable to reduce the lower bound of PG&E's capacity planning range to 90% of the forecasted annual average demand.

The adopted capacity ranges should be revisited in the utilities' respective BCAPs or through the advice letter process for possible adjustments.¹⁰

Petitioners assert that "Over the past eight years, PG&E has continued to hold a minimum of 962 MMcf/d of interstate capacity even though PG&E's average daily core demand has decreased to below 800 MMcf/d, averaging 782 MMcf/d from 2006-2010. Petitioners allege that PG&E is holding interstate capacity equal to at least 141% of the core demand it actually serves $((962/(0.87*782))=1.41)$."¹¹ Petitioners further assert that "This excess pipeline capacity holding by PG&E acts to inflate artificially PG&E's core procurement charges and provides no appreciable benefit in return. At a time when PG&E is seeking significant cost increases to address pipeline safety concerns, this

⁷ PG&E is expected to file the next Gas Transmission and Storage rate case application sometime in February 2013.

⁸ D.04-09-022, p.1

⁹ Id., p.1

¹⁰ D.04-09-022, Findings of Fact 23 and 24 and Conclusion of Law #6.

¹¹ Petition for Modification, p.9.

artificial rate inflation can and should be mitigated.”¹² Petitioners do not provide any information on PG&E’s historical and forecast average daily core demand and the corresponding amount of core demand served by the CTAs to support this assertion. Petitioners also provide no basis to examine the facts underlying its assertion that “this excess pipeline capacity holdings by PG&E acts to inflate artificially PG&E’s core procurement charges.”¹³

The proposed modifications are further arbitrary because they fail to address the underlying basis for the level of firm interstate pipeline capacity that the Commission decision directed PG&E to retain relative to average core demand. R.04-01-025 addressed issues regarding the need to hold an adequate amount of interstate pipeline capacity for PG&E’s core customer requirements to meet cold weather demand conditions in winter months. Prior to any changes requested in the PFM, these issues should be thoroughly considered by the Commission. Ultimately, core customers will make the decision on whether or not the PG&E bundled service or the alternative service offered by CTAs are more cost-effective for them. It is in the core customers’ interest that the Petitioners be transparent with all the facts underlying their request. Interested parties should be allowed time to engage in discovery of facts and analysis in order to verify these assertions about the pattern and level of PG&E’s average daily core demand since the time these facts were examined in R.04-01-025. The Commission should not modify its long standing decisions with unsupported facts and conclusions.

DRA recommends the Commission allow parties to examine the factual basis for these assertions and analyze their implications in a comprehensive manner. The current CTA Settlement Agreement was last examined in the PG&E Gas Transmission and Storage rate case application which resulted in the comprehensive package of agreements known as the Gas Accord V. D.04-09-022 envisioned that the adopted capacity ranges would be revisited in the appropriate utility proceedings and the issues identified by the Petitioners are most appropriately addressed in PG&E’s next Gas Transmission and

¹² Petition for Modification, p.10

¹³ Id.

Storage rate case application which is scheduled to be filed in February 2013. This will ensure that the issues are vetted in a comprehensive manner.

Given the lack of detail in the Petitioners' request, PG&E's core bundled customers costs could end up paying for any stranded capacity costs held by PG&E but not taken by CTAs. Furthermore, core customers electing CTA service may not be fully aware of any difference between the PG&E bundled service and the CTA service in terms of service quality and reliability and any attendant risks corresponding to the Petitioners proposal. In providing core customers with choice, these customers should be aware of all the facts underlying the service that they elect to receive. Any change to the policy directing the utility to hold firm interstate capacity for its core customers should be fully understood by those customers. Any long-term implications of the Commission's policies with regard to the promotion of the core aggregation program and natural gas supply policies that would authorize lower amounts of interstate pipeline capacity serving California utilities should likewise be examined in a comprehensive manner.

III. CONCLUSION

For the reasons discussed above, DRA respectfully recommends that the Commission deny the Petitioners request at this time and recommends that the issues identified by the Petitioners be addressed in PG&E's next Gas Transmission and Storage rate case application which is scheduled to be filed in February 2013.

Respectfully submitted,

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