

Decision 09-06-044 June 18, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Determine
Issues Relating to the California Utilities'
Procurement of Natural Gas Supplies from
Liquefied Natural Gas Sources.

Rulemaking 07-11-001
(Filed November 1, 2007)

**DECISION GRANTING REQUEST OF THE UTILITY REFORM NETWORK
FOR INTERVENOR COMPENSATION FOR SUBSTANTIAL
CONTRIBUTIONS TO DECISION 08-10-025**

Claimant: The Utility Reform Network (TURN)	For contribution to D.08-10-025
Claimed (\$): 12,538	Awarded (\$): 12,538
Assigned Commissioner: Michael Peevey	Assigned ALJ: Hallie Yacknin

PART I: PROCEDURAL ISSUES**A. Brief Description of Decision:**

In this rulemaking the CPUC considered issues relating to whether and how the largest California energy utilities should enter into procurement contracts for natural gas from liquefied natural gas (LNG) suppliers on the West Coast, as part of the ongoing effort to ensure that there will be adequate supplies of natural gas at reasonable prices to meet California's long-term needs. The Commission determined that there is no justification for treating LNG supplies differently from domestic gas supplies and that there are no ratepayer benefits from ordering utilities to enter into long-term contracts for LNG supplies.

B. Claimant must satisfy intervenor compensation requirements set forth in Public Utilities Code §§ 1801-1812:

	Claimant	CPUC Verified
Timely filing of notice of intent to claim compensation (§ 1804(a)):		
1. Date of Prehearing Conference:	N/A	Yes (no prehearing conference held).
2. Other Specified Date for NOI:	12/4/07 (set in Order Instituting Investigation 07-11-001)	Yes
3. Date NOI Filed:	12/4/07	Yes
4. Was the notice of intent timely filed?		
Showing of customer or customer-related status (§ 1802(b)):		
5. Based on ALJ ruling issued in proceeding number:	R.07-11-001 (here)	Yes
6. Date of ALJ ruling:	1/22/08	Yes
7. Based on another CPUC determination (specify):		
8. Has the claimant demonstrated customer or customer-related status?		
Showing of “significant financial hardship” (§ 1802(g)):		
9. Based on ALJ ruling issued in proceeding number:	I.06-06-014	Yes
10. Date of ALJ ruling:	11/15/06	Yes
11. Based on another CPUC determination (specify):		
12. Has the claimant demonstrated significant financial hardship?		
Timely request for compensation (§ 1804(c)):		
13. Identify Final Decision	D.08-10-025	Yes
14. Date of Issuance of Final Decision:	10/20/08	Yes
15. File date of compensation request:	12/19/08	Yes
16. Was the request for compensation timely?		

C. Additional Comments on Part I (use line reference # as appropriate):

#	Claimant	CPUC	Comment

PART II: SUBSTANTIAL CONTRIBUTION**A. In the fields below, describe in a concise manner Claimant’s contribution to the final decision** (see § 1802(i), § 1803(a) & D.98-04-059)

Contribution	Citation to Decision or Record	Showing Accepted by CPUC
<p>1. TURN’s primary recommendation was that utilities should not become “anchor tenants” by signing long-term contracts for LNG:</p> <p>“the Commission find that utilities should not become the anchor tenants for LNG facilities, regardless of the contract terms. The construction and operation of new LNG facilities present major market risks. Nonetheless, LNG project developers have proposed multiple projects on the West Coast in the absence of any prior ratepayer commitments to their projects, and one such project - Sempra’s Costa Azul facility - is nearing commercial operation. There is absolutely no reason for consumers to take on market risks that project developers have already demonstrated their willingness to bear.” (TURN Opening Comments, p. 6; TURN Reply Comments, p. 3.)</p>	<p>The Commission fully agreed that “California utilities need not take on the role of anchor tenants through long-term supply contracts in order to ensure the development of the West Coast LNG market.” (D.08-10-025, p. 9; FOF 2)</p> <p>The Commission also agreed with TURN that actual LNG shipments to the West Coast will depend on the relative prices for gas on the West Coast versus the global market. (D.08-10-025, pp. 9-10.)</p>	Yes
<p>2. TURN identified several potential financial and reliability risks from LNG sources. TURN discussed how some of the risks can be addressed contractually, but noted how certain diversion risks are unique to LNG. (TURN Opening Comments, pp. 4-8.)</p>	<p>The Commission generally agreed that the issue of reliability and cost must be considered by examining the reasonableness of the entire contract. (D.08-10-025, p. 8; FOF 1.)</p>	Yes
<p>3. TURN opposed any LNG-only solicitations. (TURN Opening Comments, p. 10-11; TURN Reply comments, p. 1-2.)</p>	<p>The Commission agreed with parties that LNG supplies should compete with other supplies. (D.08-10-025, p. 10-11; FOF 3; COL 1.)</p>	Yes
<p>4. TURN recommended that any pre-approval of LNG contracts should be done by formal applications, as these supply contracts differ from transportation or</p>	<p>The Commission authorized applications for pre-approval and specifically did not authorize pre-approval of LNG supply</p>	Yes

storage capacity contracts. (TURN Opening Comments, p. 10.)	contracts by advice letter. (D.08-10-025, p. 17.)	
5. TURN recommended that several of the issues regarding long-term supply contracting of either domestic or LNG gas should be deferred to the procurement incentive OIR. (TURN Opening Comments, p. 2-4.)	The Commission found that these issues are beyond the scope of the proceeding. (D.08-10-025, pp. 11, 14.)	Yes

B. Duplication of Effort (§§ 1801.3(f) & 1802.5):

	Claimant	CPUC Verified
a. Was DRA a party to the proceeding? (Y/N)	Y	Yes
b. Were there other parties to the proceeding? (Y/N)	Y	Yes
c. If so, provide name of other parties: Major energy utilities, LNG developers, natural gas marketers. Other consumer representatives included Ratepayers for Affordable Clean Energy (RACE), Greenlining Institute, and Community Environmental Council (CE Council).		Yes
d. Describe how you coordinated with DRA and other parties to avoid duplication or how your participation supplemented, complemented, or contributed to that of another party: Due to the very limited nature of this proceeding (one round of comments and reply comments), TURN did not engage in much specific coordination with other parties. TURN was generally aware of the position of the DRA based on various discussions concerning this topic that had occurred in the course of the consultation process for gas contracts established pursuant to D.04-09-022). TURN focused our comments on the very specific question of the role of the utilities as potential anchor tenants for LNG supplies. While TURN’s ultimate position was similar to that of the DRA, TURN focused our comments on identifying the relevant differences between domestic gas supply contracts versus LNG contracts. The DRA provided considerable discussion of the general issues concerning any fixed-price contracting and Commission policy concerning proper benchmarking of prices. TURN did not address these issues. In general, TURN’s efficient participation is reflected in the fairly limited (less than 30 hours) amount of time spent by TURN’s attorneys on a proceeding that directly addressed an important issue of utility natural gas procurement.		Yes

C. Additional Comments on Part II (use line reference # or letter as appropriate):

#	Claimant	CPUC	Comment

PART III: REASONABLENESS OF REQUESTED COMPENSATION**A. General Claim of Reasonableness (§§ 1801 & 1806):**

Concise explanation as to how the cost of claimant's participation bears a reasonable relationship with benefits realized through participation (include references to record, where appropriate)	CPUC Verified
Since this was strictly a policy proceeding that did not involve authorization of any specific contracts or utility activities, it is impossible to calculate a specific value for TURN's contribution. However, it is apparent that authorizing any long-term LNG contracts could have had negative economic impacts, especially given recent declines in domestic gas prices to between \$5 and \$6 per MMBtu. As a point of reference, TURN notes that the three IOUs purchase a bit under 2 Bcf/d (or 2,000,000 MMBtu/d) of gas for core customers, meaning that each \$1.00 per MMBtu change in gas prices results in an annual impact of 730 million dollars on California ratepayers. Thus, if the IOUs purchased just 20% of gas requirements at a long-term fixed price that was \$1 above market prices, consumers would pay an extra \$146 million annually.	Yes

B. Specific Claim:

CLAIMED						CPUC AWARD			
ATTORNEY AND ADVOCATE FEES									
Item	Year	Hours	Rate \$	Basis for Rate*	Total \$	Year	Hours	Rate \$	Total \$¹
Marcel Hawiger	2008	18.5	\$325	D.08-08-027, p. 5	\$6,013	2008	18.5	\$325	\$6,013
Michel Florio	2007	.25	\$520	D.08-04-027, p.5.	\$130	2007	.25	\$520	\$130
Michel Florio	2008	10.75	\$535	D.08-07-043, p.8.	\$5,751	2008	10.75	\$535	\$5,751
Subtotal:					\$11,894	Subtotal:			\$11,894
INTERVENOR COMPENSATION CLAIM PREPARATION **									
Item	Year	Hours	Rate \$	Basis for Rate*	Total \$	Year	Hours	Rate \$	Total \$
Marcel Hawiger	2007	.5	\$150	Half of rate approved in D.07-12-026, p 24.	\$75	2007	.5	\$150	\$75
Marcel Hawiger	2008	3.5	\$162.5	Half of rate approved in D.08-08-027, p. 5.	\$569	2008	3.5	\$162.5	\$569
Subtotal:					\$644	Subtotal:			\$644
COSTS									
#	Item	Detail			Amount				Amount
Subtotal:					\$0	Subtotal:			\$0
TOTAL REQUEST \$:					12,538	TOTAL AWARD \$:			\$12,538

¹ Total amounts are rounded to the nearest dollar amount.

C. CPUC Disallowances & Adjustments (CPUC completes):

#	Reason

PART IV: OPPOSITIONS AND COMMENTS
 Within 30 days after service of this claim, Commission Staff
 or any other party may file a response to the claim (see § 1804(c))

A. Opposition: Did any party oppose the claim (Y/N)?

No

If so:

B. Comment Period: Was the 30-day comment period waived (see Rule 14.6(c)(6)) (Y/N)?

Yes

If not:

Party	Comment	CPUC Disposition

FINDINGS OF FACT

1. Claimant has made a substantial contribution to Decision (D.) 08-10-025.
2. The claimed fees and costs are comparable to market rates paid to experts and advocates having comparable training and experience and offering similar services.
3. The total of reasonable contribution is \$12,538.

CONCLUSION OF LAW

1. The claim satisfies all requirements of Public Utilities Code §§ 1801-1812.

ORDER

1. Claimant is awarded \$12,538.
2. Within 30 days of the effective date of this decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company shall pay claimant their shares of the total award. Payment of the award shall include interest at the rate earned on prime, three-month commercial paper as reported in Federal Reserve Statistical Release H.15, beginning March 4, 2009, the 75th day after the filing of claimant’s request, and continuing until full payment is made.
3. The comment period for today’s decision is waived.

4. This proceeding remains open to resolve pending intervenor compensation matters.
5. This decision is effective today.

Dated June 18, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

APPENDIX**Compensation Decision Summary Information**

Compensation Decision:	D0906044	Modifies Decision? No
Contribution Decision(s):	D0810025	
Proceeding(s):	R0711001	
Author:	ALJ Hallie Yacknin	
Payer(s):	PG&E, SDG&E, SoCalGas	

Intervenor Information

Intervenor	Claim Date	Amount Requested	Amount Awarded	Multiplier?	Reason Change/Disallowance
The Utility Reform Network	12/19/08	\$12,538	\$12,538	No	N/A

Advocate Information

First Name	Last Name	Type	Intervenor	Hourly Fee Requested	Year Hourly Fee Requested	Hourly Fee Adopted
Michel	Florio	Attorney	The Utility Reform Network	\$520	2007	\$520
Michel	Florio	Attorney	The Utility Reform Network	\$535	2008	\$535
Marcel	Hawiger	Attorney	The Utility Reform Network	\$300	2007	\$300
Marcel	Hawiger	Attorney	The Utility Reform Network	\$325	2008	\$325

(END OF APPENDIX)