PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**ENERGY DIVISION**

 **AGENDA ID: 18131**

 **RESOLUTION G-3567**

 **February 27, 2020**

RESOLUTION

Resolution G-3567. Pacific Gas and Electric Company proposed modifications to Gas Rate Schedule G-CT and Attachment I, Including Related Forms, and Proposal regarding the Self-Managed Storage program for Core Transport Agents.

PROPOSED OUTCOME:

* Pacific Gas and Electric Company’s (PG&E) proposed changes to the Self-Managed Storage program to allow Core Transport Agents to use Alternate Resources are approved.

SAFETY CONSIDERATIONS:

* There is no direct impact on safety.

ESTIMATED COST:

* There is no cost impact.

By Advice Letter (AL) 4190-G, filed on December 11, 2019.

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# Summary

PG&E’s proposal in AL 4190-G to extend the Self-Managed Storage program and conditionally allow Core Transport Agents (CTAs) [[1]](#footnote-2) to use Alternate Resources[[2]](#footnote-3) is approved. Under the Self-Managed Storage program, PG&E no longer procures storage on behalf of CTAs according to a seven-year transition period adopted in Decision (D.)16-06-056. Specifically, the AL continues the program for year three of the transition period and beyond, as ordered in Resolution G-3537. It also specifies that CTAs may use Alternate Resources; however, PG&E can file a Tier 2 AL to seek suspension or modification of that aspect of the program if reliability concerns arise and can be demonstrated by the utility.

Shell Energy North America (US), L.P. (Shell Energy) protested the AL on the basis that PG&E’s proposal was ambiguous and that D.16-06-056 and D.19-09-025 expanded the use of Alternate Resources to other storage programs. The resolution rejects Shell Energy’s protest because we find that PG&E’s AL corresponds to the Self-Managed Storage program and Shell Energy’s interpretation of those decisions is incorrect.

# Background

In D.16-06-056, the CPUC adopted the Self-Managed Storage program for CTAs. Under the program, PG&E would no longer procure storage services on behalf of CTAs according to a seven-year transition period starting April 1, 2018. The transition period was structured whereby the amount of storage PG&E would procure and allocate to CTAs would decrease each year according to a prescribed schedule to the point where the utility would not be procuring any storage for CTAs. Correspondingly, the amount of storage that CTAs would be responsible to self-procure each year would increase annually. PG&E determines each CTA’s storage requirement annually based upon the CTA’s share of the core market.

To implement the Self-Managed Storage program, PG&E filed AL 3884-G in 2017 with its requested tariff changes. The AL was protested by several CTAs mainly because the utility would not extend the use of Alternate Resources, which may be less costly than storage and could have a lower level of reliability, to the program. [[3]](#footnote-4) As a result, CTAs could only use Alternate Resources for the portion of the CTAs’ storage requirement that was not subject to the Self-Managed Storage program, referred to as PG&E-Allocated Storage.[[4]](#footnote-5)

Resolution G-3537, issued in 2018, approved PG&E AL 3884-G, with modifications. In consideration of the CTA protests, the resolution found that D.16-06-056 was ambiguous regarding whether CTAs were authorized to use Alternate Resources for the Self-Managed Storage program.[[5]](#footnote-6) As a remedy, the resolution approved PG&E’s proposal denying the use of Alternate Resources for at least the first two years of the transition period during which an assessment of their use would be undertaken. The utility was also ordered to file a Tier 2 AL to seek approval of the Self-Managed Storage program for the remainder of the transition period and to include a proposal for the use of Alternate Resources by CTAs.[[6]](#footnote-7) Additionally, PG&E was directed to file annual reports to include information such as projections on the potential use of Alternate Resources for the program. The Energy Division was also instructed to hold workshops to review the program, and a workshop was convened December 3, 2019.

A further change involving PG&E’s storage was adopted in D.19-09-025. That decision approved, in large part, the utility’s proposal to downsize and reconfigure its storage assets, referred to as the Natural Gas Storage Strategy (NGSS).[[7]](#footnote-8) As a result, the amount of PG&E-owned storage that the utility would allocate to CTAs for their use and that is subject to the Self-Managed Storage program would be significantly reduced.[[8]](#footnote-9) To make-up for this reduction, CTAs as well as PG&E’s Core Gas Supply would be responsible to procure most of their storage requirements from Independent Storage Providers (ISP).[[9]](#footnote-10) The use of Alternate Resources for this ISP storage (referred to as the ISP Firm Storage program by PG&E) was denied by D.19-09-025 on the basis that storage provided a higher level of service reliability.[[10]](#footnote-11) The decision also continued the seven-year transition period for the Self-Managed Storage program and left consideration of the use of Alternate Resources for the now smaller program through the process set forth in Resolution G-3537.[[11]](#footnote-12)

At the December 3, 2019 workshop ordered by Resolution G-3537, PG&E provided an assessment of the Self-Managed Storage program. Regarding the potential use of Alternate Resources for the remainder of the program, PG&E initially recommended that the prohibition continue on the basis that D.19-09-025 denied the use of Alternate Resources for the ISP Firm Storage program. It was also noted that the utility stated in its Annual Report that it did not believe that there would be any short-term impacts on reliability if Alternate Resources were allowed, but any long-term impacts were presently unconfirmed.[[12]](#footnote-13) However, during ensuing discussions with CTAs, who pressed for the use of Alternate Resources, PG&E formulated a compromise proposal whereby Alternate Resources were allowed, but the utility would have the option to suspend or modify their use when a certain threshold was reached.

In AL 4190-G, PG&E is seeking to extend the Self-Managed Storage program and allow CTAs to use Alternate Resources for the program beginning with year three of the transition period subject to conditions. The utility stated that the AL was filed in compliance with Ordering Paragraph (OP) 5 of Resolution G-3537 and is based on the discussions occurring at the December 3, 2019 workshop.

Specifically, PG&E would permit CTAs to use Alternate Resources for the program beginning April 1, 2020. However, the utility could seek to suspend or modify their use by submitting a Tier 2 AL if the following two conditions exist:

1. Aggregate CTA elections of non-storage Alternate Resources under the Self-Managed Storage program reach or exceed 500,000 decatherm (Dth) Annual Inventory equivalent; and

2. PG&E can demonstrate a significant adverse impact to core reliability or system reliability.

PG&E noted that it requested CTAs to confirm their support for the proposal following the workshop and the AL listed the various CTAs that acknowledged their support for it. Additionally, PG&E stated it was amenable to provide the additional information in the Resolution G-3537 Annual Reports and to circulate them to the indicated service lists, as discussed at the December 3, 2019 workshop.

In response to an Energy Division data request, PG&E stated that the 500,000 Dth threshold was the level at which reliability would not be compromised if Alternate Resources did not perform as expected.[[13]](#footnote-14)

# Notice

Notice of AL 4190-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 4 of General Order 96-B.

# Protests

On December 31, 2019, Shell Energy filed a protest to PG&E AL 4190-G. Shell stated that it supports PG&E’s proposal to allow CTAs to use Alternate Resources to meet a portion of their storage obligation. However, they claimed that the utility’s proposal is unclear regarding which portion of a CTAs storage obligation may be met through Alternate Resources once the NGSS is implemented. Shell Energy also advanced various interpretations of D.16-06-056 and D.19-09-025 to support a wider use of Alternative Resources including the ability for their use as a substitute for its entire mandatory storage allocation.

On January 8, 2020, United Energy Trading d/b/a Blue Spruce Energy submitted comments supporting Shell Energy’s position that AL 4190-G could be read to contravene D.16-06-056 and D.19-09-025 and, as a solution, agree that the CPUC should allow the use of Alternate Resources for all of a CTA’s allocated storage.

On January 8, 2020, SPURR submitted comments stating that they continue to support AL 4190-G and agree with Shell Energy regarding the potential ambiguity between PG&E’s proposal and CPUC decisions.

On January 8, 2020, PG&E submitted its reply to Shell Energy. The utility stated that AL 4190-G was filed in compliance with OP 5 of Resolution G-3537 and concerns the Self-Managed Storage program. PG&E also explained that another AL it filed, AL 4170-G, addresses the new CTA storage requirements related to the NGSS and the ISP Firm Storage program. PG&E further noted that D.19-09-025 made clear that CTAs cannot use Alternate Resources for the NGSS storage, and that Shell Energy failed to acknowledge this in order to support their arguments. To clear up any misunderstanding, PG&E explained that, effective April 1, 2020 (when the NGSS is implemented), there will be three different storage classifications, as follows:

1) PG&E-Allocated Storage: PG&E firm storage allocated to each CTA, with the CTA required to pay for the storage even if it is rejected (i.e., “take-or-pay”). For the rejected storage, the CTA may use Alternative Resources. This program will be phased-out over the seven-year transition period adopted in D.16-06-056.

2) Self-Managed Storage: The amount of PG&E firm storage that is not subject to a “take-or-pay” arrangement by which CTAs have the option to procure from an ISP or PG&E. This amount will increase annually pursuant to the seven-year transition period as the PG&E-Allocated Storage correspondingly declines. Alternative Resources are not allowed for this classification; however, the utility noted that it is proposing to permit their use in AL 4190-G.

3) ISP Firm Storage: New classification starting April 1, 2020 pursuant to D.19-09-025. Refers to the additional amount of storage CTAs and PG&E Core Gas Supply will need to obtain from ISPs due to the NGSS. D.19-09-025 explicitly prohibited the use of Alternate Resources for this storage classification.

# Discussion

Shell Energy asserted that PG&E AL 4190-G is unclear regarding the use of Alternate Resources by CTAs once the NGSS is implemented. To remedy this situation, the protestant offers various recommendations that expand the use of Alternate Resources by CTAs as a substitute for their storage obligations. According to Shell Energy, D.16-06-056 and D.19-09-025 support its proposals. However, as discussed below, Shell Energy’s recommendations are inconsistent with those Commission decisions and it is clear the proposal in PG&E AL 4190-G is limited to the Self-Managed Storage program, as intended.

Shell Energy claimed that the authority in D.16-06-056 allows a CTA to procure Alternate Resources in place of any mandatory allocation of core storage whether it is to be acquired from PG&E or an ISP.[[14]](#footnote-15) That is an incorrect understanding of the decision. D.16-06-056 created the Self-Managed Storage program which allows CTAs to procure a certain percentage of their storage obligation according to a seven-year transition period. Indeed, Resolution G-3537, which Shell Energy did not reference in its protest and which implemented the Self-Managed Storage program, found that D.16-06-056 was ambiguous regarding the use of Alternate Resources. [[15]](#footnote-16) To address this, the resolution denied CTAs the use of Alternate Resources for the program for the first two years of the transition period and directed PG&E to file a Tier 2 AL to seek continuation of the Self-Managed Storage program for the remainder of the transition period and to include a proposal for the use of Alternate Resources for the program going forward.[[16]](#footnote-17)

Shell Energy also referred to D.19-09-025 stating that it denied the use of Alternate Resources, but the protestant interpreted this as applying only to the Self-Managed Storage program.[[17]](#footnote-18) The protestant further states that after the seven-year transition period all of a CTA’s storage obligation will be under the Self-Managed Storage program. This is also plainly incorrect.

D.19-09-025 makes a clear distinction between the Self-Managed Storage program and the storage CTAs are required to obtain from ISPs under the NGSS. The prohibition on the use of Alternate Resources by CTAs discussed in the decision applies to ISP Firm Storage resulting from the adoption of the NGSS.[[18]](#footnote-19) This prohibition does not apply to the CTAs storage requirement related to the Self-Managed Storage program. D.19-09-025 stated that the use of Alternate Resource for the Self-Managed Storage program is to be considered in the process set forth in Resolution G-3537.[[19]](#footnote-20) The only impact of the NGSS on the Self-Managed Storage program was that the amount of storage subject to the program would be reduced according to the decrease in the capacity of PG&E’s storage assets. D.19-09-025 does not expand the use of Alternate Resources by CTAs.

To the extent that Shell Energy needs further clarification, PG&E’s protest reply provides a summary of the CTA storage programs that will be in effect April 1, 2020, the date that the NGSS will be implemented. The utility correctly shows that Alternate Resources are not authorized for the ISP Firm Storage program created by the adoption of the NGSS and that the use of Alternate Resources for the Self-Managed Storage program is currently not allowed, although addressed in PG&E AL 4190-G.

We next turn to PG&E AL 4190-G. The utility stated that the AL was filed in compliance with OP 5 of Resolution G-3537 and this is confirmed by our review. As directed, the utility affirmed that it would continue the transition period for the Self-Managed Storage program for year three and beyond and the AL includes a proposed mechanism that would allow CTAs to use Alternate Resources for the program subject to conditions. Furthermore, as PG&E noted in its protest reply, AL 4170-G addresses the ISP Firm Storage created by the NGSS, as approved in D.19-09-025.

We find PG&E’s proposal regarding the use of Alternate Resources for the Self-Managed Storage program appropriate. Specifically, PG&E seeks approval to file a Tier 2 AL to request suspension or modification of the use of Alternate Resources under the Self-Managed Storage program if their use reaches or exceeds 500,000 Dth Annual Inventory equivalent and the utility can demonstrate a significant adverse impact to core reliability or system reliability. This mechanism balances the CTAs preference for an option to use Alternate Resources with the need for a safeguard if excessive reliance on non-storage alternatives impairs service reliability. Furthermore, the amount of storage that would be subject to the use of Alternate Resources for the program has been significantly reduced due to the NGSS, which further mitigates any reliability concerns.

In conclusion, we find PG&E AL 4190-G reasonable and it is approved. The protest of Shell Energy is denied.

# 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. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-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. D.16-06-056 did not specify whether or not Alternate Resources could be used by CTAs for the Self-Managed program.
2. Resolution G-3537 denied the use of Alternate Resources for the first two years of the seven-year transition period and consideration for their use going forward was to be based on an assessment of the program.
3. Shell Energy’s Protest to PG&E AL 4190-G relies on misinterpretations of D.16-06-056 and D.19-09-025.

1. PG&E’s proposed mechanism to suspend or modify the use of Alternate Resources under certain conditions should ensure that any related reliability problems associated with the use of Alternate Resources as opposed to storage can be addressed.
2. The amount of storage under the Self-Managed Storage program and eligible for Alternate Resources will be reduced once the NGSS is implemented.

# Therefore it is ordered that:

1. Pacific Gas and Electric Company AL 4190-G is approved and effective today.

1. The protest of Shell Energy North America (US), L.P. is denied.

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 27, 2020; the following Commissioners voting favorably thereon:

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 ALICE STEBBINS

 Executive Director

1. CTAs offer to procure gas for core customers as an alternative to the local utility. [↑](#footnote-ref-2)
2. As discussed in this resolution, Alternate Resources can sometimes be used in lieu of, or as alternates to, storage. [↑](#footnote-ref-3)
3. Alternate Resources include firm backbone pipeline capacity with a supply contract, PG&E firm storage and withdrawal capacity, alternate firm storage and withdrawal capacity and California production supply (see Attachment I in PG&E AL 4190-G) [↑](#footnote-ref-4)
4. For PG&E-Allocated Storage, a CTA required to take a pro-rata share of its allocated share of utility-owned storage or it may reject the storage and use Alternate Resources instead. However, the CTA is required to pay for the rejected storage under a take-or-pay arrangement. (See PG&E reply to Shell Energy’s protest at p. 2) [↑](#footnote-ref-5)
5. Resolution G-3537 at p. 6. [↑](#footnote-ref-6)
6. Resolution G-3537 Ordering Paragraph 5. [↑](#footnote-ref-7)
7. Per a Memorandum of Understanding approved in D.19-09-025, the NGSS goes into effect April 1, 2020. [↑](#footnote-ref-8)
8. Prior to the NGSS, the amount of storage inventory at PG&E-owned storage facilities reserved for core procurement groups, including CTAs, was 33.4 thousand decatherms (MDth). Under the NGSS, that amount will decrease to 5.1 MDth when fully implemented. (A.17-11-009, PG&E Exhibit 2, Table 19-1 on p. 19-3) As such, CTAs as well as PG&E’s Core Gas Supply need to obtain a significant amount of storage from ISPs to maintain core reliability. [↑](#footnote-ref-9)
9. ISPs are entities apart from PG&E that provide storage services to the public. [↑](#footnote-ref-10)
10. D.19-09-025 at pp. 56, 79 and 80. [↑](#footnote-ref-11)
11. D.19-09-025 at p. 57 and footnote 187 on p. 80. [↑](#footnote-ref-12)
12. PG&E Resolution G-3537 Annual Report, June 27, 2019 at p. 12. [↑](#footnote-ref-13)
13. 1/16/10 PG&E Data Request response to Energy Division. [↑](#footnote-ref-14)
14. Shell Energy protest at p. 1. Shell Energy cites p. 374 of D.16-06-056 as explicitly allowing the use of Alternate Resources for the program; however, the decision only states that a CTA’s procurement of storage capacity for the amount not allocated by PG&E may be from PG&E or a Commission-certified ISP. [↑](#footnote-ref-15)
15. Resolution G-3527 p. 6 and Finding of Fact 6. [↑](#footnote-ref-16)
16. Resolution G-3537 OP 5. [↑](#footnote-ref-17)
17. Shell protest p. 2. [↑](#footnote-ref-18)
18. D.19-09-025 at pp. 56, 79 and 80. [↑](#footnote-ref-19)
19. D.19-09-025, footnote 187 at p. 80. [↑](#footnote-ref-20)