PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3353**
JULY 10, 2003

R E S O L U T I O N

Resolution G-3353. Pacific Gas and Electric Company (PG&E) proposes revisions to its Gas Rule 14 – *Capacity Allocation and Constraint of Natural Gas Service,* in compliance with the Wild Goose Storage Expansion Decision 02-07-036. PG&E's proposed revisions are approved with modifications.

By Advice Letter 2408-G and 2408-G-A, filed on September 3, 2002 and on April 3, 2003, respectively.

SUMMARY

This resolution approves revisions to PG&E's Gas Rule 14 – *Capacity Allocation and Constraint of Natural Gas Service,* with modifications.

On July 17, 2002, the Commission issued Decision (D.) 02-07-036, granting an amendment to Wild Goose Storage's Certificate of Public Convenience and Necessity. Ordering Paragraph (OP) 22 of that decision stated that within 45 days of the effective date of this decision, PG&E shall file by advice letter, proposed tariffs, or amendments to existing tariffs, that address, consistent with this decision, pro rationing of as-available transportation capacity among all customers, during times when insufficient as-available capacity exists to serve all requests for it.

On September 3, 2002 PG&E filed Advice Letter (AL) 2408-G to comply with D.02-07-037. Partly to address points raised in protests against AL 2408-G, PG&E later filed a supplemental AL 2408-G-A on April 3, 2003.

Wild Goose Storage (Wild Goose) protested AL 2408-G, but filed a letter in response to AL 2408-G-A, stating that Wild Goose supports PG&E's supplemental AL as in compliance with D.02-07-037, and urges its immediate approval. Lodi Gas Storage's (LGS) protested both AL 2408 and AL 2408-G-A. LGS alleges that PG&E's proposed tariff revisions do not implement D.02-07-036

as written, but rather, in times of scarce transmission capacity, place the nominations of storage capacity and flowing capacity into separate "blocks, " allocating certain capacity according to contract price in each block. In addition, LGS asserts that PG&E's proposed tariffs fail to allocate transmission space based upon the total volume of all nominations on a point-specific basis.

LGS' protests are denied.

BACKGROUND

On July 17, 2002, the Commission issued D. 02-07-036, granting an amendment to Wild Goose's Certificate of Public Convenience and Necessity (CPCN). The CPCN amendment allows Wild Goose to expand its existing gas storage facilities in Butte County from 14 billion cubic feet (Bcf) to 29 Bcf and to connect the expanded facilities to PG&E's Line 400 / 401[1]. In addition, OP 22 of that decision ordered PG&E to file an advice letter within 45 days of the effective date of the decision to implement changes to its tariffs required as a result of D. 02-07-036.

Specifically, OP 22 stated,

> Within 45 days of the effective date of this decision, PG&E shall file by advice letter, proposed tariffs, or amendments to existing tariffs, that address, consistent with this decision, pro rationing of as-available transportation capacity among all customers, during times when insufficient as-available capacity exists to serve all requests for it.

D.02-07-036 set forth guiding principles for PG&E's tariff proposal. Specifically, OP 22 stated,

> a) Pro-rationing should compare the as-available transportation nominations on the backbone system

[1] Lines 400 / 401 are also known as the Redwood Path on PG&E's pipeline system. The lines run from PG&E's interconnect with Pacific Gas Transmission Northwest at Malin to the Panoche compressor station. The total distance of the lines is approximately 500 miles.

from independent storage customers to the total non-storage as-available transportation nominations;

b) Pro-rationing should occur at each nomination cycle during the day based on the backbone system capacity available at that time;
c) The non-bumping rule (PG&E's Gas Rule 21.B.3) should be honored;
d) Pro-rationing between storage withdrawals and other as-available transportation capacity should be based on the volumes nominated, not on the price bid for that capacity.

On September 3, 2002, PG&E filed AL 2408-G, in compliance with OP 22 of D. 02-07-036. PG&E's proposed revisions to Gas Rule 14 addressed the proration of Line 400 / 401 As-Available transportation capacity[2] between transportation customers and third-party storage customers connected to Line 400 / 401, during times when insufficient As-Available capacity exists to serve all requests for such capacity.

On September 23, 2002, Wild Goose and LGS protested AL 2408-G. Wild Goose asserted that PG&E's proposed changes to its Gas Rule 14 will not implement the transmission capacity allocation methodology determined in D. 02-07-036 to be the most appropriate for the allocation of As-Available capacity on the PG&E system. LGS asserted that in times of scarce transmission capacity, the proposed tariffs fail to allocate transmission space based upon the total volume of all nominations. PG&E responded to both protests on September 30, 2002, stating that both protests are without merit, and are directly contrary to CPUC policy. Citing an additional need for information and additional time for review, the Commission's Energy Division suspended the AL beginning October 7, 2002.

Representatives from the Energy Division, PG&E, Wild Goose and LGS subsequently met on two occasions to discuss AL 2408-G, review PG&E's

[2] As-Available is a level of service for the flows of gas and is secondary in reliability to firm. The amount of as-available capacity on a daily basis is determined by subtracting firm capacity from system capacity. Firm service is a level of service for the flows of gas and carries the highest priority on a pipeline.

proposed allocation methodology of As-Available transportation capacity during times when capacity is insufficient to meet all customers' needs, and attempt to resolve issues.

On April 3, 2003, PG&E filed AL 2408-G-A, which replaces AL 2408-G in its entirety. In AL 2408-G-A, PG&E proposed to add language to Gas Rule 14, Section D.1. *Priority of Service – Transmission Receipt Points of Gas*, to provide that, in the event of capacity constraints, Line 400 / 401 As-Available capacity will be prorated for each third-party storage provider based on net withdrawal nominations and Redwood Path As-Available nominations. In addition, PG&E stated that following the first proration, PG&E will calculate the total receipt volume at Malin. Any additional storage withdrawals that can be accommodated will be prorated based on net withdrawal nominations used in the first proration. Wild Goose has expressed support for the revised tariff language and the proposed methodology example.[3]

NOTICE

Notice of Advice Letter 2048-G and 2048-A-G was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the advice letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

PG&E's AL 2408-G was timely protested by Wild Goose and LGS on September 23, 2002. PG&E's supplemental AL 2408-G-A was protested by LGS and supported by Wild Goose on April 23, 2003.

PG&E responded to the protests of Wild Goose and LGS against AL 2408-G on September 30, 2002, and to the protest LGS against AL 2408-G-A on April 30, 2003.

Wild Goose protested AL 2408-G, but filed a letter in response to AL 2408-G-A by stating that Wild Goose supports PG&E's April 3, 2003 submission as in

[3] Filed as Attachment II to AL 2408-A.

compliance with D.02-07-037 and urges its immediate approval. Wild Goose's protests to AL 2408-G are now moot and will not be discussed herein. LGS's protest alleges that, despite PG&E's clear understanding of the requirements of D.02-07-036, PG&E's proposed tariff revisions do not implement D.02-07-036 as written. LGS asserts that, in times of scarce transmission capacity, PG&E's proposal places the nominations of storage capacity and flowing capacity into separate "blocks", allocating certain capacity according to contract price in each block. In addition, LGS asserts that PG&E's proposed tariffs fail to allocate transmission space based upon the total volume of all nominations on a point-specific basis.

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

Allocation of Capacity as Required in D.02-07-036

Scheduled Off-System Nominations Based on Contract Price

LGS states that within the Storage block[4], the tariffs seek to provide a preferred position to off-system nominations, allocating them according to contract price, and then allocating on-system nominations on a pro rata basis.[5] In addition, LGS argues that, after this allocation is done within the respective service blocks, PG&E proposes to then schedule the separate blocks, based not on volume but on price. LGS asserts that such scheduling favors off-system as-available service over other storage withdrawal service.

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[4] A storage block is in essence a virtual queue that PG&E would put nominations in for the purposes of categorizing nominations for storage customers. This is analogous to an as-available block.

[5] Off-system deliveries include those deliveries PG&E will make to customers on other pipelines, i.e., a delivery to SoCalGas' system. On-system deliveries are those deliveries that stay on PG&E's system.

PG&E argues that its prioritization sequence is in accord with CPUC policy. They assert that D.02-07-036 is silent on the prioritization sequence of nominations for storage customers, which cannot be scheduled in times of scarce transmission capacity. PG&E notes that in fashioning the prioritization sequence, PG&E looked to prior authorization by the Commission and CPUC policy for guidance. PG&E states that the Commission authorized a prioritization sequence for as-available service under the Gas Accord based on price (See D.97-08-055. Appendix B at Section II.E.10, pp. 21-22). As an example, PG&E illustrates that on the Mission Path[6], off-system shippers pay an as-available rate greater than zero while on-system Mission Path shippers pay a rate of zero. Thus, off-system shippers would be sequenced before on-system shippers in this circumstance. PG&E also submits that the proration of Line 400 / 401 as-available transportation capacity between storage and transportation customers is based on valid nominations. As clearly set forth in PG&E's proposed tariff revisions, the scheduling based on contract price pertains only to the prioritization sequence in the event storage requests exceed the local transportation capacity available and / or Line 400 / 401 space assigned to storage customers. Finally, PG&E emphasizes that Wild Goose's and LGS's respective tariffs will typically determine the priority of flows from storage on limited as-available space.

Allocation of Transmission Space on a Point-Specific Basis

LGS protests that PG&E's proposed tariff language and a capacity allocation example provided by PG&E show that in times of scarce transmission capacity, PG&E fails to allocate transmission space based upon the total volume of all nominations on a point-specific basis. The tariff language LGS raises issue with is found in Sections D.1.a.1) a) - d). LGS maintains that a pro rata allocation at each receipt point is needed to take account of nominations by both LGS and Wild Goose for storage withdrawals from their customers, as well as other

[6] PG&E's Mission path is not a physical backbone transmission line but a "contractual" path used to account for deliveries from storage, including PG&E's McDonald Island storage, to a load center destination on PG&E's system (referred to as the "city gate"), irrespective of the actual pipes used to deliver the gas.

shippers on Line 400 / 401. In allocating capacity in this manner, LGS states that capacity on the pipeline may open up between the point of Wild Goose's interconnect and LGS' interconnect in the Bay Area, due to deliveries of gas off the pipeline between those two points.

PG&E responds to LGS's protest by arguing that the methodology proposed by LGS goes beyond the letter of D.02-07-036 and far beyond the current methods of capacity allocation on the PG&E system. PG&E specifically rebuts LGS's notion that nominations on the PG&E system, in general, are receipt and delivery point specific. PG&E states that while this is generally true, it is not always or necessarily the case. Nominations in general are point specific because it is necessary to identify sources and destinations of gas on the system by entity and by connecting pipeline, gas field meter, or storage provider. PG&E notes that one exception to this is PG&E's Citygate.[7] Another exception is PG&E storage and the proposed Wild Goose expansion. While Wild Goose will have two distinct physical interconnection points with PG&E, customers need only nominate to / from the storage provider and <u>not</u> the specific geographical interconnect points.

Implementation Date for the Tariffs

LGS's protest asks the Commission to order PG&E to implement the tariffs on October 10, 2002, stating that the general rule under Section V.A of General Order 96-A is that tariffs are effective 40 days after filing. PG&E argues that the proration requires considerable alterations to the computer system and that it anticipates that the modified computer system will be operational before Wild Goose's expansion is expected to be operational. In addition, PG&E submits that unlike the more complicated pro rata allocation process (involving two independent storage providers at two separate locations on Line 400 / 401), a manual process at Lodi storage interconnect will be less complicated, will require less expense, and can be implemented more quickly.

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[7] The Citygate is any point at which the backbone transmission system connects to the local transmission and distribution system. They Citygate is not one specific, physical location. It is a virtual trading point on California Gas Transmission's system. (http://www.pge.com/pipeline/products/citygate_diagram.html)

Textual Changes

In Section E. of LGS' April 23, 2003 protest, LGS recommends the following minor, textual changes to PG&E's proposed tariff filing. PG&E did not respond to LGS' proposed textual modifications.

Section D.1.c

LGS states that since receipt points deal with withdrawal from storage, not injection into storage, the word "withdrawal" should be inserted between "the" and "nominations" in the second line of this section. Thus, the first three lines of Section D. 1.c. should read: "After the total capacity for each storage provider is determined, the *withdrawal* nominations for each storage provider will be scheduled as follows."

Section D.3

LGS states that Section D.3 addresses only injection and transportation into PG&E-owned storage, not third party storage. Therefore, the heading of Section 3 should be changed to read "PG&E STORAGE INJECTION AND TRANSPORTATION TO STORAGE."

Section D.3.a

LGS states that similarly, the first sentence line of Section D.3.a should be changed to read, "Transportation priority to PG&E storage will be determined by the Customer's Gas…"

Section D.4

LGS states that Section D.4 again addresses PG&E-owned storage, not third-party storage. The heading should therefore read, "PG&E STORAGE WITHDRAWAL AND TRANSPORTATION FROM STORAGE."

Section D.4.a

LGS states that, similarly, the first sentence line of Section D.4.a should be changed to read, "Transportation priority from PG&E storage to the delivery point will be determined…"

DISCUSSION

While generally in compliance with the Commission's directives in D.02-07-036, PG&E's tariff proposals in AL 2408-G-A can be confusing and open to misinterpretation. The tariffs do not draw a clear distinction between the scheduling and nomination process on PG&E's system and do not flow in a clear, logical order.

LGS protested certain aspects of both advice letter filings of PG&E and offered suggestions to the language of the proposed tariff. LGS's protests are misplaced and denied, but its suggestions for minor text changes are granted.

Allocation of Capacity as Required in D.02-07-036

Until Wild Goose's expansion project and LGS's storage project allowed them to connect to PG&E's Line 400 / 401, the issue of inadequate as-available transportation capacity on Ln 400 / 401 was not an issue because historically PG&E did not have to pro rate as-available transportation capacity among as-available shippers and storage customers using as-available transportation. This issue is a new dynamic to PG&E's operation of its pipeline. Indeed, the Commission recognized this new dynamic in D.02-07-036 when it stated,

> "As long as no capacity constraints exist, PG&E pledges to deliver withdrawals from the expanded Wild Goose facility and from the Lodi facility in accordance with the zero toll terms of as-available capacity on the Mission Path, just as PG&E does at present, consistent with Gas Storage Rules 3.1, 3.2, 4.1 and 4.3. The parties disagree how to interpret the Gas Storage Rules if capacity constraints on the backbone prevent full withdrawals. The question of how to allocate as-available transmission service among all transportation customers (including customers of independent gas storage) during times of peak demand is one of first impression for this Commission." (D.02-07-036, p. 29)

PG&E's tariff, as <u>currently</u> written, only provides for scheduling of as-available transportation by stating that, "As-available service will be scheduled according

to contract price, with the lowest price capacity interrupted first,"[8] but does not discuss how nominations of as-available capacity will be allocated in times when there is insufficient capacity to serve such nominations. The relevant section of PG&E's proposed tariff filing is written as follows:

D. PRIORITY OF SERVICE

1. TRANSMISSION RECEIPT POINTS

a. For Line 400/401, PG&E will allocate service on the Backbone Transmission paths, Redwood and Mission, in the following order:

1) All Firm service at all receipt points on a defined transmission path will be treated equally, with pro rata allocation of nominations, if necessary.

As-Available service will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,*[9] with the lowest price capacity interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

The Redwood Path As-Available service will be scheduled according to contract price,* with the lowest price capacity interrupted first.

If all withdrawal nominations from third party storage providers cannot be scheduled due to transmission constraints, Line 400/401 As-Available capacity will be allocated as follows:

a) The initial allocation of Line 400/401 As-Available capacity will be allocated pro rata based on Net Withdrawal Nominations into Line 400/401 for each third party storage provider and Redwood path As-Available nominations. Net Withdrawal Nominations into Line 400/401 are defined as: the total withdrawal nominations less any injection nominations and less PG&E's ability to place gas directly into a local transmission system.

For the purpose of allocating Line 400/401 As-Available capacity, Net Withdrawal Nominations into Line 400/401 from a third party storage provider will be limited to the third party storage provider's maximum

[8] Gas Rule 14 – Section D. 1. b.

[9] The asterisk is part of PG&E's tariff filing. The footnote for it states that "Contract price equals the per unit Usage Charge specified in the Customer's applicable As-Available transmission schedule."

certificated withdrawal capacity, less PG&E's ability to place the gas directly into a local transmission system[10]. Redwood Path As-Available nominations will be limited to the Line 400/401 As-Available capacity.

b) After the initial allocation of Line 400/401 As-Available capacity to the Redwood Path, the total receipt volume at Malin on Line 400/401 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Malin is established, PG&E will determine the maximum additional storage withdrawals into Line 400/401 that can be accommodated.

If PG&E can accommodate additional withdrawals, this capacity will be allocated to each third party storage provider based on the same limited Net Withdrawal Nominations into Line 400/401 used in Section a above. The total capacity for each third party storage provider used for scheduling nominations will be the sum of the final capacity for delivery into Line 400/401 plus the amount that PG&E can place into the Local Transmission System.

c) After the total capacity for each storage provider is determined, the nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest price capacity interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

d) The Redwood Path As-Available service will be scheduled according to contract price,* with the lowest price capacity interrupted first.

The guiding principle that D.02-07-036 establishes for allocation of as-available capacity is found on p. 32 of that decision:

> "We find that Lodi's evenhanded proposal provides the most competitively neutral approach. Therefore, on the record developed in this proceeding, we affirm the Gas Storage Rules in their present form and

[10] The term backbone system includes the pipelines used to accept natural gas from interstate pipelines, but also includes PG&E's high-pressure gas pipelines. The term local transmission system includes the pipeline used to accept gas from the backbone transmission system, and transport it to a customer.

> hold that they require a pro rata allocation of as-available Redwood transportation capacity among all potential subscribers, whether they seek to transport flowing supplies or gas previously injected into storage at the Wild Goose or Lodi facilities." (D.02-07-036, pg. 32)

Off-System Nominations Scheduled Based on Contract Price

LGS contested the issue of scheduled off-system nominations based on contract price in its protest of PG&E's original advice letter filing, AL 2408-G. In its September 23, 2002 protest, LGS stated that within the Storage block, the tariffs seek to provide a preferred position to off-system nominations, allocating them according to contract price, and then allocating on-system nominations on a pro rata basis. In AL 2408-G-A, all references to the term "block" have been removed. The Commission believes that the deletion of this term adequately addresses LGS's concerns on this issue.

LGS is also concerned that PG&E's proposed tariffs seek to provide a preferred position to off-system nominations, allocating them according to contract price. PG&E rebuts this point by stating that its prioritization sequence is in accord with CPUC policy and that this prioritization sequence for the Mission Path already exists as part of PG&E's tariff. To clarify its intent in the language of the proposed tariffs, PG&E offers an example in which PG&E illustrates that on the Mission Path, off-system shippers pay an as-available rate greater than zero while on-system Mission Path shippers pay a rate of zero. Thus, off-system shippers would be sequenced before on-system shippers in this circumstance. PG&E also submits that the proration of Line 400 / 401 as-available transportation capacity between storage and transportation customers is based on valid nominations. PG&E supports its methodology by adding that, as clearly set forth in its proposed tariff revisions, the scheduling based on contract price pertains only to the prioritization sequence in the event storage requests exceed the local transportation capacity available and / or Line 400 / 401 space assigned to storage customers.

The Commission feels that LGS's protest is misplaced. LGS protests the basing of nominations of as-available on contract price, while PG&E's proposed tariff filing only <u>schedules</u> as-available capacity based on contract price as is current

practice[11]. Indeed, LGS states that, "the tariffs seek to provide a preferred position to off-system nominations, allocating them according to contract price, and then allocating on-system nominations on a pro rata basis." (emphasis added)

D.02-07-036 states in OP 22 that, "Pro-rationing should compare the as-available transportation nominations on the backbone system from independent storage customers to the total non-storage as-available transportation nominations." Though PG&E's proposed tariff filing is confusing, it conducts pro-rationing of as-available capacity based on nominations, but schedules based on contract price. The scheduling, or as PG&E has stated, "the prioritization sequence," of as-available capacity once nominations have been pro-rated based on volumes nominated is beyond the scope and intent of D.02-07-036, accordingly we will deny the protest of LGS on this issue.

PG&E's proposed tariff revisions are confusing because the components of Gas Rule 14 D., Priority of Service, do not read in a logical order. The proposed tariff sheets as written are highlighted previously in this resolution and will not be repeated here. Rather, we will make revisions to PG&E's proposed tariff sheets and order PG&E, within 5 days of the Commission's acceptance of this resolution, to re-file the tariff as revised, indicated by underlining and striking.

D. PRIORITY OF SERVICE

1. TRANSMISSION RECEIPT POINTS

a. For Line 400/401, PG&E will allocate service on the Backbone Transmission paths, Redwood and Mission, in the following order:

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[11] Scheduling is the process that the pipeline operator employs to manage a shipper's nominated quantities that are confirmed. The scheduling process happens after the nominations have been confirmed and thus confirmed nominations are those that flow on a pipeline. A nomination is when a shipper notifies the pipeline operator with the amount of gas it wishes to flow on a particular pipeline during a particular cycle in a gas day.

1) All Firm service at all receipt points on a defined transmission path will be treated equally, with pro rata allocation of nominations, if necessary.

2) When no constraints exist for As-Available service, such service will be scheduled as follows:

   a.) Mission Path off-system As-Available service first according to contract price,* with the lowest price capacity interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

   b.) The Redwood Path As-Available service will be scheduled according to contract price,*[12] with the lowest price capacity interrupted first.

3) When constraints exist for As-Available service, such service will be scheduled as follows.

   a) The initial allocation of Line 400/401 As-Available capacity will be prorated based on Net Withdrawal Nominations into Line 400/401 for each third party storage provider and Redwood path As-Available nominations. Net Withdrawal Nominations into Line 400/401 are defined as: the total withdrawal nominations less any injection nominations and less PG&E's ability to place gas directly into a local transmission system.

      For the purpose of allocating Line 400/401 As-Available capacity, Net Withdrawal Nominations into Line 400/401 from a third party storage provider will be limited to the third party storage provider's maximum certificated withdrawal capacity, less PG&E's ability to place the gas directly into a local transmission system. Redwood Path As-Available nominations will be limited to the Line 400/401 As-Available capacity.

   b) After the initial allocation of Line 400/401 As-Available capacity to the Redwood Path, the total receipt volume at Malin on Line 400/401 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Malin is established, PG&E will determine the maximum additional storage withdrawals into Line 400/401 that can be accommodated.

      If PG&E can accommodate additional withdrawals, this capacity will be allocated to each third party storage provider based on the same limited Net Withdrawal Nominations into Line 400/401 used in Section a above. The total capacity for each third party storage provider used for scheduling nominations will be the sum of the final capacity for delivery into Line

[12] The asterisk is part of PG&E's tariff filing. The footnote for it states that "Contract price equals the per unit Usage Charge specified in the Customer's applicable As-Available transmission schedule."

400/401 plus the amount that PG&E can place into the Local Transmission System.

c) After the total capacity for each storage provider is determined, the withdrawal nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest price capacity interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

d) The Redwood Path As-Available service will be scheduled according to contract price,* with the lowest price capacity interrupted first.

Allocation of Transmission Space on a Point-Specific Basis

LGS protests that PG&E's proposed tariff language and capacity allocation example show that in times of scarce transmission capacity, PG&E's proposal would fail to allocate transmission space based upon the total volume of all nominations on a point-specific basis. PG&E responds to LGS's protest by arguing that the methodology proposed by LGS goes beyond the letter of the Decision and far beyond the current methods of capacity allocation on the PG&E system.

D.02-07-036 states that, "the Gas Storage Rules in their present form…require a pro rata allocation of as-available Redwood transportation capacity among all potential subscribers, whether that seek to transport flowing supplies or gas previously injected into storage at the Wild Goose or Lodi facilities." (pgs. 32-33) The Decision continues by directing PG&E to file "proposed tariffs or amendments to existing tariffs…that address pro ration of as-available capacity among all customers during times when insufficient capacity exists to serve all requests for it." Nowhere does the Commission address the issue of allocation of transmission space on a "point-specific basis." In fact, LGS did not protest this issue in its protest to AL 2408-G, but rather in AL 2408-G-A. Even though the methodology PG&E has proposed in its original advice letter filing to its revised advice letter filing has not changed fundamentally, LGS protests this issue in the revised advice letter filing. Allocation of transmission space on a point-specific basis would be exactly that, and would thus not be the pro rata allocation method the Commission accepted in D.02-07-036.

LGS states that capacity on the pipeline may open up between the point of Wild Goose's interconnect and LGS' interconnect in the Bay Area, due to deliveries of

gas off the pipeline between those two points. While this may be true, LGS cites no evidence from the record in D.02-07-036 that would bolster such an argument, let alone provide the Commission with a better interpretation of the Decision. The protest of LGS goes beyond the intent of the Decision and thus its protest will be denied.

Implementation Date for the Tariffs

LGS requested that the implementation date of PG&E's advice letter be October 10, 2002. The Energy Division suspended the advice letter on October 7, 2002 for 120 days. The protest of LGS is now considered moot, but we will require PG&E to maintain its monthly updates of the computer system as required in the D. 02-12-038 (Opinion Granting In Part and Denying In Part Petition For Modification of Decision 02-07-036)[13] and also require PG&E to file a final report to the Energy Division once the computer system is in place and adequate testing has been conducted.

Textual Changes

LGS suggests that certain textual changes be made to PG&E's proposed tariff filing in order to clarify certain aspects, but also to distinguish between PG&E customer storage and third party independent storage. PG&E did not respond to those textual changes. We will grant LGS's protest that PG&E make certain textual changes. The textual change as requested by LGS to Gas Rule 14, Section D. 1. c has been inserted into the textual changes already recommended by the Commission earlier in this section. We direct PG&E to re-file its advice letter with the proposed changes LGS has made on p. 9 of its April 23, 2003 protest to AL 2408-G-A.

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[13] This opinion also stated the proper date for implementation of PG&E's computer system when it stated that, "We defer until November 1, 2003, the date by which PG&E must complete modifications to its computer system to enable pro rata allocation among all potential customers if as-available transportation capacity should become scarce. November 1, 2003 is a reasonable date since that is when Wild Goose Storage Inc."

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, the draft of this resolution was mailed to parties for comments.

In response to the draft resolution, LGS filed initial comments on July 1, 2003. LGS raises two points in disagreement with the conclusion of the draft resolution. First, LGS maintains its position that the decision should allocate scarce transmission capacity, when constraints exist, on a point-specific basis rather than the draft resolution's pro-rata allocation process. LGS goes to great length to show that because there may be some capacity "opening up" on Line 400 / 401, this in and of itself requires capacity allocation on a point-specific basis. As stated previously in this resolution and reiterated here, the Commission in D.02-07-036 directed PG&E to file "proposed tariffs or amendments to existing tariffs…that address pro ration of as-available capacity among all customers during times when insufficient capacity exists to serve all requests for it." LGS would like to have allocation of scarce transmission capacity on a point-specific basis, but the fact is that PG&E is filing a compliance advice letter to a Commission directive, and this directive never mentioned or intended allocation on a point-specific basis. Second, LGS would like the Commission to delete language concerning LGS's argument on the issue of tariff implementation date because LGS agrees with the Commission that this issue is now considered moot. Wild Goose in its July 1, 2003 reply comments states that, "Wild Goose disagrees with LGS' belief that it is not necessary for the final Resolution to discuss the tariff implementation date issue." We will not delete this language on the tariff implementation date issue because LGS in a May 7, 2003 letter to Energy Division stated that, "LGS filed its protest to Advice Letter 2408-G-A in response to that supplemental advice letter, just as it filed its protest to the original Advice Letter 2408-G in response to that Advice Letter. LGS considers both protests to remain current."

PG&E in its July 1, 2003 comments proposes to simplify subsection (3) [of the tariff language] by tracking or paralleling subsection (2). We agree and the changes are made above. In addition, PG&E shows that capacity is allocated and nominations are prorated. The changes to the tariff language in sections 3(a) and (b) are made above.

LGS also filed reply comments on July 7, 2003. LGS generally restates its support for point-specific allocation.

FINDINGS

1. Commission decision D.02-07-036 directed PG&E to file an Advice Letter to address, consistent with this decision, pro rationing of as-available transportation capacity among all customers, during times when insufficient as-available capacity exists to serve all requests for it.

2. On September 3, 2002, PG&E filed AL 2408-G, in compliance with OP 22 of D. 02-07-036.

3. On September 23, 2002, Wild Goose and Lodi Gas Storage, LLC protested AL 2408-G.

4. Citing an additional need for information and additional time for review, the Commission's Energy Division suspended the AL for 120 days beginning October 7, 2002.

5. On April 3, 2003, PG&E filed AL 2408-G-A.

6. PG&E's AL 2408-G was timely protested by Wild Goose and LGS on September 23, 2002.

7. PG&E's supplemental AL 2408-A-G was protested by LGS and supported by Wild Goose on April 23, 2003.

8. PG&E responded to the protests of Wild Goose and LGS for AL 2408-G on September 30, 2002, and to the protest LGS for AL 2408-G-A on April 30, 2003.

9. Wild Goose had originally protested AL 2408-G, but filed a letter in response to AL 2408-G-A, stating that Wild Goose supports PG&E's April 3, 2003 submission, and urges its immediate approval.

10. D.02-07-036, in OP 22, set forth guiding principles for PG&E's advice letter.

11. PG&E's tariff, as currently written, only provides for scheduling of as-available transportation, but does not discuss how nominations of as-available capacity will be allocated in times when there is insufficient capacity to serve such nominations.

12. The guiding principle that D.02-07-036 establishes for allocation of as-available capacity is found on p. 32 of D.02-07-036: "We find that Lodi's evenhanded proposal provides the most competitively neutral approach. Therefore, on the record developed in this proceeding, we affirm the Gas Storage Rules in their present form and hold that they require a pro rata allocation of as-available Redwood transportation capacity among all potential subscribers, whether they seek to transport flowing supplies or gas previously injected into storage at the Wild Goose or Lodi facilities."

13. LGS asserts that PG&E's proposed tariffs seek to provide a preferred position to off-system nominations, allocating them according to contract price.

14. PG&E rebuts this point by stating that PG&E's prioritization sequence is in accord with CPUC policy and that this prioritization sequence for the Mission Path already exists as part of PG&E's tariff.

15. LGS's protest is misplaced, as it is directed against the issue of nominations of as-available based on contract price, while PG&E's proposed tariff filing only schedules as-available capacity based on contract price as is current practice.

16. LGS asserts that in times of scarce transmission capacity, PG&E fails to allocate transmission space based upon the total volume of all nominations on a point-specific basis.

17. LGS's protest related to point-specific nominations goes beyond the intent of D.02-07-036.

18. LGS suggests that certain textual changes be made to PG&E's proposed tariff filing in order to clarify certain aspects, but also to distinguish between PG&E customer storage and third party independent storage.

19. PG&E did not respond to those textual changes.

20. We should grant LGS's recommendation that PG&E make certain minor, textual changes, but we should deny other aspects of LGS's protests.

21. PG&E should make the additional textual changes the Commission discussed above.

22. PG&E should file a final report to the Energy Division once its new computer system is in place and adequate testing has been conducted.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's proposal in Advice Letter 2408-G-A to make revisions to its Gas Rule 14 – *Capacity Allocation and Constraint of Natural Gas Service,* is approved with certain modifications.

2. PG&E, within 5 days of the Commission's adoption of this resolution, shall re-file the tariff as revised in the discussion section of this resolution.

3. PG&E shall file a final report to the Energy Division once its new computer system is in place and adequate testing has been conducted.

4. The protests of Lodi are denied, except for its suggestions to change the language of the tariff filing are accepted.

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 July 10, 2003 the following Commissioners voting favorably thereon:

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WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners