



California Public Utilities Commission Regulation and Natural Gas Infrastructure

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CPUC Jurisdiction is Extensive but Does Not Cover All CA Infrastructure



- CPUC-regulated utilities deliver natural gas supplies to over 10 million customers in California
- Over 100,000 miles of pipelines and over 200 billion cubic feet (Bcf) of storage capacity
- Roughly 4.5 - 5 Bcf/d of deliveries on utility systems, or about 80% of total California consumption
- Another 20% of demand is supplied directly off interstate pipeline systems or from California production
- CPUC also regulates storage providers
- CPUC does not regulate CA or out-of-state natural gas producers or interstate pipelines

CPUC Policy on Natural Gas Infrastructure and Capacity



- Allow gas utilities to gain better access to new sources of supply, develop a diverse supply portfolio, and have adequate storage capacity for core procurement requirements
- Ensure adequate, diverse utility natural gas pipeline and storage infrastructure for utilities and consumers
 - Assure delivery of supplies with high degree of certainty, especially for core customers
 - Minimize transmission constraints
 - Provide access to diverse portfolio of supplies
 - Reduce the likelihood of price spikes
 - Allow more gas to be stored when prices are low
 - Allow customers to match supplies with requirements
- Suppliers and pipelines should have fair access to utility transmission systems

CPUC Encourages or Requires New Infrastructure via Various Means



- Market mechanisms, e.g. independent storage expansion
- CPUC orders following litigation/settlement, e.g. SoCalGas storage expansion per Biennial Cost Allocation Proceeding (BCAP)
- Cost of service regulation, e.g. distribution pipeline additions
- Requests for transmission capacity expansion, e.g. per the Gas Supply Rulemaking and Firm Access Rights framework
- Delivery reliability guidelines, e.g.
 - Core and noncore reliability standards
 - Overall slack capacity standards

Recent and Pending CPUC Actions on Infrastructure & Capacity Rights



- PG&E contracts for interstate pipeline capacity rights on Ruby
- Lodi Gas Storage's Kirby Hills capacity expansion
- PG&E RFO process for incremental core storage capacity
- PG&E Gas Accord local transmission projects
- SoCalGas storage expansion approved in Biennial Cost Allocation Proceeding (BCAP)
- Gill Ranch/PG&E Gas Storage proposal for new storage facility
- Sacramento Natural Gas Storage proposal for new storage facility
- Wild Goose Storage capacity expansions
- Interstate pipeline consultation process for core procurement interstate rights

PG&E Capacity Rights on Ruby Pipeline



- In December 2008, CPUC approved PG&E contracts with proposed Ruby pipeline for long-term, firm capacity rights
- 250 million cubic feet per day (MMcfd) for core procurement, 125 MMcfd for electric generation department
- Allows significant access for the first time to Rockies supplies for PG&E
- Ruby construction will benefit not just PG&E but other northern CA consumers as well
- Expected 2011 operation date

Lodi Storage Expansion



- In March 2008, Lodi Gas Storage capacity expansion approved, second phase of Kirby Hills facility
- CPUC authorized increase in working storage inventory by 6.5 Bcf, and in injection and withdrawal capacity by 200 MMcfd

PG&E Requests for Offers of Incremental Core Storage



- In July 2006, CPUC authorized process under which PG&E's core gas procurement department could obtain incremental storage capacity, beyond PG&E storage allocated to core customers
- PG&E Core Procurement Department obtained some additional capacity in 2007 from PG&E Storage and Lodi, with a two-year term that ended in March 2009
- PG&E just filed a new request with CPUC to issue another RFO for new incremental storage, to replace some Baja Path capacity
- Pending before the CPUC

PG&E Local Transmission Projects



- In September 2007, CPUC approved latest PG&E Gas Accord settlement
- Pursuant to Gas Accord settlement, significant local transmission projects being constructed by PG&E in Sacramento and Fresno areas
- Includes areas that had experienced constraints

SoCal Gas BCAP Settlement

Approval of Storage Expansion



- In Phase 1 of the current BCAP, the CPUC approved a settlement under which SoCalGas will expand storage inventory (7 Bcf) and injection capacity (145 MMcfd) over the 2009-2014 period
- SoCalGas expected to file applications soon for authority to proceed with these storage expansions
- Phase 1 also allocated an adequate amount of SoCalGas storage capacity (79 Bcf) to SoCalGas and SDG&E core customers

Gill Ranch and PG&E Storage Project



- Proceeding pending before the CPUC
- In July 2008, PG&E and Gill Ranch Storage filed applications at CPUC for approval for a new storage facility near Fresno
- Gill Ranch to own 75% and PG&E to own 25% of facility
- 20 Bcf of inventory capacity, 650 MMcfd of injection and withdrawal capacity
- Has potential for additional 20-25 Bcf of inventory
- Settlements with intervenors recently reached, which applicants say settle all non-CEQA issues
- Final decision anticipated in late 2009

Sacramento Natural Gas Storage (SNGS)



- Pending before the CPUC, SNGS requested approval in April 2007 of a new storage facility in Sacramento area
- 7.5 Bcf inventory, 100 MMcfd injection capacity and 200 MMcfd withdrawal capacity
- Project has been opposed by neighborhood group
- Draft Environmental Impact Report issued April 2009, stated that current location is not the environmentally superior alternative
- Other locations suggested as environmentally superior, based on safety considerations

Wild Goose Storage Capacity Expansions



- Following CPUC November 2008 finding that condemnation of small parcel of land would serve public interest, Wild Goose Storage will expand capacity up to certificated capacity of 29 Bcf (from 24 Bcf) and withdrawal capacity from 480 to 700 MMcfd
- In April 2009, Wild Goose filed application at CPUC for expansion beyond certificated capacity
- Proposes to increase inventory capacity from 29 to 50 Bcf, injection from 450 to 650 MMcfd, and withdrawal from 700 to 1200 MMcfd
- Wild Goose estimates the additional project could be completed in 19-23 months following CPUC approval

Interstate Pipeline Capacity Consulting Process



- In 2004, CPUC approved a streamlined process under which gas utilities could develop portfolio of interstate pipeline capacity rights
- Utilities must maintain minimum level of interstate pipeline capacity rights, about their annual average core demand
- Utilities consult with Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN) and CPUC's Energy Division
- If DRA and TURN concur with utility proposal, utility may request approval from Energy Division staff
- Since 2004 process implemented, staff has approved numerous interstate pipeline capacity contracts with natural gas utilities
- Utilities have developed a portfolio of contracts with varying terms and capacity amounts, rather than small number of large, long-term contracts

Other Recent Utility Expansions and Measures



- SoCalGas is increasing local transmission capacity in the Imperial Valley, formerly a “constrained” area, by 110 MMcfd (from 90 to 200 MMcfd) - should be complete this summer
- Upgrades completed on SDG&E system to allow deliveries of LNG supplies from Costa Azul LNG terminal (operational in May 2008)
- FAR transmission framework implemented October 2008 in southern California,
 - provides framework for determining location of capacity demand
 - assures LNG suppliers can gain firm access to SoCalGas/SDG&E transmission systems