

Comments of Marcel Hawiger of TURN
Submitted by e-mail to Jairam Gopal
May 20, 2003

RE: Natural Gas Infrastructure Reports, Dec. 2002 and Feb. 2003

As I indicated during my phone call with Mr. [Dave] Maul, TURN is very concerned with the utilization of gas storage to ensure reliable electric service and reasonable gas prices. I was rather shocked that the December 2002 Staff Natural Gas Infrastructure Report failed to even mention storage assets, and I am pleased that the February 2003 Electric and Gas Infrastructure Assumptions Report at least described available storage assets. However, simply discussing available storage inventory does not provide an accurate picture of the role and utility of storage in meeting peak demand and mitigating price spikes.

TURN had provided data to the CEC in a filing submitted on February 21, 2001 in Docket 00-SIT-2, showing that noncore customers in southern California injected very little gas into storage during the summer of 2000, despite the fact that those customers had fully contracted the unbundled storage inventory from SoCalGas. The lack of gas in storage due to the actions of these large customers contributed significantly to the "tight" pipeline conditions in the winter of 2000/2001.

Most large non-core customers (including electric generators) advocate construction of more pipeline capacity, paid for by all ratepayers, to solve the reliability problem. Such an outcome ignores the more cost-effective solution of maximizing the use of existing storage capacity, whether utility-owned or independent. The root of the problem is unbundled storage for electric generators [EG] in an era when the utility no longer fills gas for EGs and dual-fuel capability is very limited.

The solution must include a requirement to fill some minimum amount of gas for storage for use for EGs during emergency (price or supply) conditions. The simplest way is for the CPUC to order utilities to purchase and inject a certain amount of gas in storage for EGs, and to allocate those costs to EG customers. The more drastic solution is to totally rebundle gas storage for noncore customers. Another alternative, which would likely require legislation, is to force EG customers themselves to store a certain reserve amount of gas in storage.

There are other options, and I gather from Mr. Maul that the CEC is exploring those. I look forward to hearing more from the CEC on this issue. Thank you for considering my comments.

Marcel Hawiger
TURN
711 Van Ness Avenue, Suite 350
San Francisco, CA 94102
(415) 929-8876
(415) 929-1132 (fax)