

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of PACIFIC GAS & ELECTRIC  
COMPANY for an Order Pursuant to Section 1005.5(b)  
of the Public Utilities Code to Increase the Maximum  
Cost Specified in PG&E's Certificate of Public  
Convenience and Necessity to Construct the California  
Portion of the Expansion of its Natural Gas Pipeline.

A.92-12-043  
A.93-03-038  
A.94-05-035  
A.94-06-034  
A.94-09-056  
A.94-06-044

And Related Matters

A.96-08-043  
R.90-02-008  
R.88-08-018  
R.92-12-016  
I.92-12-017  
A.92-07-049  
A.95-02-008  
A.95-02-010  
A.94-11-015  
A.93-04-011  
A.94-04-002  
A.05-04-002  
A.96-04-001  
A.94-12-039

**RESPONSE OF ENRON NORTH AMERICA CORP.  
AND ENRON ENERGY SERVICES, INC.  
IN OPPOSITION TO THE EMERGENCY PETITION  
OF ORA AND TURN**

GOODIN, MACBRIDE, SQUERI,  
RITCHIE & DAY, LLP  
Michael B. Day  
505 Sansome Street, Suite 900  
San Francisco, CA 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321

Attorneys for Enron North America Corp. and  
Enron Energy Services, Inc.

Date: January 26, 2001

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Pursuant to Rule 47 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California ("Commission"), Enron North America Corp. and Enron Energy Services, Inc. (collectively, "Enron") herewith submit Enron's response in opposition to the Emergency Petition of ORA and TURN for Modification of D.97-08-055 and Resolution G-3288. Enron opposes the ORA and TURN petition on two primary grounds.

Enron's first objection is that it is unwise public policy to make changes in





carefully crafted tariffs designed to accommodate system supply shortages and related emergency situations without carefully considering the impact on all customer classes. The Emergency Flow Order (EFO) and Operational Flow Order (OFO) provisions of the PG&E Gas Tariff, as well as the procedures for implementing gas diversions from non-core shippers to serve core customers and compensating the non-core customers, have been carefully thought out and adopted over an extended period of time. All customer classes and all segments of the industry have had input into these rules, and they generally comport with similar rules throughout the utility industry. Enron believes it would be unwise to follow the suggestion of ORA and TURN and quickly make substantial modifications in these rules without allowing parties a fair opportunity to address the consequences of such changes.

Enron's second objection to the ORA/TURN petition represents just one example of the possible adverse consequences of a precipitous change in the diversion rules—specifically, a reduction in the diversion penalties could leave non-core shippers at risk for substantial out-of-pocket costs caused by the diversion, while providing the utility with a perverse incentive to divert more and more gas.

The provisions of the PG&E tariff require the core to pay a \$50/Dth diversion credit when non-core gas is diverted to core use. ORA and TURN seek to have this credit reduced to the “current market price of gas” up to a cap of \$50/Dth. This change could impose substantial losses on non-core customers. When a non-core customer's gas is diverted, that customer's out of pocket loss is not merely the cost of gas. That customer very likely paid interstate transmission rates to move the gas to the California border, and possibly other costs, such as storage withdrawal charges. In addition, if the diversion caused the non-core customer's operations to be curtailed or shut-down the customer has incurred substantial consequential

damages as well. Compensation for the mere commodity price of the gas does not begin to cover these other potential losses in the same way as the existing \$50/Dth credit.

At the same time, reducing the diversion credit could induce the PG&E core procurement department to rely more heavily on diversions as opposed to trying other means to improve PG&E's ability to purchase gas on its own account. While the Commission and the other parties to these proceedings are only too aware of the credit problems of PG&E, it is incumbent upon PG&E to use its utmost efforts to return to a creditworthy status which would allow it to purchase gas for the core. The Commission should not provide an incentive for PG&E to rely on other customers' ability to purchase gas and routinely divert it to core customers.

The diversion rules and the relative size and amount of the diversion credit were formulated to discourage diversion and to attempt to compensate non-core customers for the substantial costs and disruptions caused by diversion. Enron recommends that the Commission not disturb the diversion credit on the basis of an emergency petition. While ORA and TURN ask the Commission to act immediately under the provisions of Rule 81(f) of the Commission's Rules of Practice and Procedure, it is not clear that ORA and TURN have established that "time is of the essence" in this situation. If PG&E truly needs to divert noncore gas to serve core customers, the existing rules remain in place to permit that diversion and handle the associated costs. ORA and TURN are seeking to minimize the financial consequences of diversion on core customers, while shifting more of the costs and consequences of diversion to non-core customers. Enron believes that the Commission should undertake an examination of this issue with adequate opportunity for the affected non-core customers to be heard, rather than acting hastily on the basis of an emergency petition which is unsupported by any factual evidence in the

form of affidavits, declarations or testimony. There is no showing in the ORA/TURN petition that the existing diversion system cannot continue to be used for the short term. The relative balance of the costs of diversion between core and noncore customers can be evaluated by the Commission after due consideration, and changed if changes are warranted, but an abrupt change in the diversion rules would not appear to be necessary at this time. PG&E can continue to physically divert gas if necessary, but Enron does not support lessening the financial disincentive to divert gas without more substantial justification than that provided in the ORA/TURN petition.

Respectfully submitted this January 26, 2001 at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,  
RITCHIE & DAY, LLP  
Michael B. Day  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321

By \_\_\_\_\_  
Michael B. Day

Attorneys for Enron North America Corp.,  
Enron Energy Services, Inc.