

H. 2

OCT 27 1988

Decision 88-10-054 October 26, 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on)
the Commission's own motion into)
implementing a rate design for)
unbundled gas utility services)
consistent with policies adopted)
in Decision 86-03-057.)

I.86-06-005
(Filed June 5, 1986)

And Related Matters.)

R.86-06-006
Application 87-01-033
Application 87-01-037
Application 87-04-040

OPINION

Decision (D.) 87-12-039, issued December 9, 1987, was the major Commission order in the "implementation" phase of this proceeding. D.88-03-085, dated March 23, 1988, treated a number of the petitions for modification of D.87-12-039. One of these was the February 17, 1988 petition submitted by Toward Utility Rate Normalization (TURN). TURN's first request in this petition was to establish a policy that core-elect procurement customers should pay the actual, rather than the forecasted, weighted average cost of gas (WACOG) for the core portfolio. TURN was concerned that core-elect customers receive accurate price signals, and that large under- or over-collections in the core portfolio gas cost balancing account be avoided.

In response to TURN's request we stated:

We are interested in providing the utilities with the tools necessary to offer a core portfolio with stable and predictable prices; this is one of the key goals of our core procurement policy.... We think that a better idea than TURN's proposal may be to develop a procedure which would allow the utilities to file to revise just the core WACOG, whenever the core gas balancing account threatens to become significantly out of balance, due solely to unexpected changes in gas costs or the

sequence of purchases.... We do not have enough information to set an appropriate trigger; we will ask the parties to the stipulation and to this case to try to work out an agreement for such a mechanism. (D.88-03-085, pp. 4-5.)

Such an agreement was submitted on July 12, 1988; the signatories were TURN, Pacific Gas and Electric Company (PG&E), and Southern California Gas Company (SoCal). We have received comments in partial or complete opposition to this stipulation from the Division of Ratepayer Advocates (DRA), San Diego Gas & Electric Company (SDG&E), and the California Industrial Group (CIG).

In addition, on March 18, 1988, SDG&E filed a petition for modification of D.87-12-039 which makes the same request as TURN's February 17 petition, except that SDG&E proposes to limit billing at the actual core WACOG to wholesale customers only. Several parties have responded to the SDG&E petition.

We issued R.88-08-018 on August 10, 1988, setting forth a set of proposed rules which would govern the gas utilities' procurement activities. In this OIR (p. 22), we proposed to reduce the importance of price stability from a major to a secondary goal of the utilities' core procurement efforts. Opening comments on this OIR have been filed, and reply comments are due in the near future. The importance of price stability--and the accurate transmission of price signals--is exactly what we must evaluate in ruling on SDG&E's petition for modification and on the "gas cost trigger mechanism" stipulation of TURN, PG&E, and SoCal. Therefore, we think that it is most appropriate to incorporate our review of these matters into R.88-08-018. Parties who have not addressed these issues heretofore are welcome to comment on them in their reply comments in R.88-08-018.

Finding of Fact

The "gas cost trigger mechanism" and SDG&E's petition regarding the billing treatment of the core WACOG for wholesale customers relate to issues under consideration in R.88-08-018.

Conclusion of Law

SDG&E's petition and the stipulation on the "gas cost trigger mechanism" should be denied without prejudice pending consideration of related issues in R.88-08-018.

O R D E R

IT IS ORDERED that SDG&E's petition for modification of D.87-12-039 is denied without prejudice. We will consider this petition, and all responses which have been filed to date, in R.88-08-018. Parties to R.88-08-018 may comment on SDG&E's petition in their reply comments.

IT IS FURTHER ORDERED that the "Stipulation Pursuant to Workshop on Gas Cost Trigger Mechanism", filed July 12, 1988, is rejected without prejudice. We will consider this stipulation, and all comments which have been filed on it, in R.88-08-018. Parties to R.88-08-018 may comment on this stipulation in their reply comments.

This order is effective today.

Dated October 26, 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners

Commissioner G. Mitchell Wilk,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weissor, Executive Director

COM/DV/rtb

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ORIGINAL

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R. 86-06-006 et al.

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