

12/9/88

ORIGINAL

Decision 88 12 045 DEC 9 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into)
natural gas procurement and system)
reliability issues.)

R.88-08-018
(Filed August 10, 1988) Mailed
DEC 12 1988

And Related Matter.)

I.87-03-036
(Filed March 25, 1987)

INTERIM OPINION

On October 28, 1988, Pacific Gas and Electric Company (PG&E) filed a petition for modification of R.88-08-018. PG&E requests that it be relieved of the obligation to file testimony on brokerage fees in its Annual Cost Allocation Proceeding (ACAP), Application (A.) 88-09-032. This requirement is contained in Ordering Paragraph 5 of R.88-08-018. PG&E notes that it and other parties have raised significant policy issues concerning brokerage fees in the comments which have been filed in this case. These issues include (1) which categories of expenses should be included in the brokerage fee, (2) how should these costs be reallocated among noncore procurement and transport-only customers, and (3) whether the brokerage fee should be applied to in-area as well as out-of-area sales. A final Commission order in this rulemaking proceeding has not been issued. With these policy issues still unresolved, PG&E sees no point in filing ACAP testimony on the implementation of brokerage fees.

Salmon Resources and Mock Resources (Salmon/Mock) filed a joint protest to PG&E's petition on November 14, 1988. Salmon/Mock urge us to reject PG&E's petition. They claim that the Commission has determined in R.88-08-018 that there is the need for a brokerage fee to be applied to the utilities' sales of noncore gas, and that we have indicated generally the costs which need to be

unbundled and allocated in order to develop such a fee. Salmon/Mock claim that the next logical step is to proceed to implement a brokerage fee in the PG&E ACAP, in which we are undertaking a detailed examination of PG&E's costs of providing gas service.

Discussion

In R.88-08-018 we issued a set of proposed rules. We have yet to issue a decision approving final rules, although we expect to do so in the near future. PG&E correctly points out that Ordering Paragraph 3 of R.88-08-018 specifically includes the discussion of brokerage fees within the scope of comments to be filed in this case, and asks for alternative rules. Thus, we have not finally decided to adopt the brokerage fee structure which we proposed in R.88-08-018. Unfortunately, hearings in PG&E's ACAP case began on November 28, 1988, and are currently scheduled to conclude on December 16. To proceed to implement a brokerage fee in the ACAP hearings, based solely on a set of proposed rules, would short-circuit the notice-and-comment procedure of our rulemaking. In addition, the brokerage fee issue is of statewide concern, and moving the forum for this issue to the PG&E ACAP might be inappropriate.

However, we also recognize Salmon/Mock's valid argument that the ACAP proceedings are the logical forums in which to implement brokerage fees, as these cases involve a thorough review of the structure of the gas utilities' costs. Our solution is to defer the implementation of a noncore brokerage fee for PG&E to a second phase of its current ACAP case, A.88-09-032. This phase will begin promptly after the issuance of final rules on brokerage fees in R.88-08-018, and will be limited to applying these rules to implement a noncore brokerage fee for PG&E. PG&E and other parties who submit testimony in this phase will use cost information consistent with what is developed in the record of the first phase of the ACAP. We anticipate that several days of hearings will be

held in the second phase. We do not intend to change noncore rates when we implement a brokerage fee for PG&E. Thus, parties who submit brokerage fee testimony should include a proposal for how to treat the revenues from a brokerage fee, including the revenues from the period between when the fee is effective--sometime after our decision in the first phase of the current ACAP--until our decision in PG&E's second (1990) ACAP. Southern California Gas and San Diego Gas and Electric should be able to implement brokerage fees in their first ACAP case, as ordered in R.88-08-018.

We believe that this resolution will allow for the timely implementation of a brokerage fee for PG&E, without "putting the cart before the horse" with respect to the policy issues which are properly the subject of R.88-08-018.

Finding of Fact

Hearings on PG&E's ACAP proceeding, A.88-09-032, will be completed before the Commission issues a decision on the brokerage fee policy issues in R.88-08-018.

Conclusions of Law

1. The policy issues regarding brokerage fees in R.88-08-018 should be decided before the brokerage fee for a specific utility is implemented in that company's ACAP proceeding.

2. The timely implementation of a brokerage fee for PG&E is best accomplished by establishing a second phase for A.88-09-032, in which we will consider testimony on brokerage fee implementation.

3. The second phase of A.88-09-032 will begin after the issuance of final rules in R.88-08-018.

INTERIM ORDER

IT IS ORDERED that Ordering Paragraph 5 of R.88-08-018 is modified to read as follows:

"5. PG&E shall file testimony proposing unbundled noncore brokerage fees in the second phase of its 1989 ACAP proceeding, A.88-09-032. Other interested parties may also file such testimony in this phase, which will begin after final rules have been issued in this proceeding. The brokerage fees proposed for PG&E shall be consistent with the cost information developed in A.88-09-032. SoCal and SDG&E shall file such testimony as part of their first ACAP proceeding. All brokerage fee testimony shall be consistent with the final rules on brokerage fees adopted in this proceeding."

IT IS FURTHER ORDERED that this decision shall be served on all parties of record in both R.88-08-018 and A.88-09-032.

This order is effective today.

Dated DEC 9 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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

Victor Weisser
Victor Weisser, Executive Director