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Decision 92-01-019 January 10, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California  
Gas Company for expedited approval  
of five long term gas supply  
agreements.

Application 91-04-038  
(Filed April 26, 1991)

And Related Matters.

R.88-08-018  
Application 91-06-030  
Application 90-06-030

O P I N I O N

This decision disposes of the petition for modification of Decision (D.) 89-11-060 filed by Southern California Gas Company (SoCalGas) on September 4, 1991.

SoCalGas' pleading seeks action in several dockets. In general, SoCalGas seeks additional guidance from the Commission on the subject of existing Commission rules for utility procurement of core gas supplies. To this end, SoCalGas asks the Commission to:

- o Hold an en banc hearing on the subject of core procurement.
- o Set aside submission in SoCalGas' 1990 reasonableness review (Application (A.) 90-06-030).
- o Consolidate SoCalGas' 1990 reasonableness review, its 1991 reasonableness review (A.91-06-030), the docket in which the Commission adopted existing core procurement rules (Rulemaking (R.) 88-08-018), and the long-term contract proceeding (A.91-04-038).
- o Modify D.89-11-060 (R.88-08-018) to clarify the rules.

- o Defer hearings in SoCalGas' 1991 reasonableness review pending the outcome of the en banc and the petition to modify D.89-11-060.

SoCalGas proposes these procedural steps on the basis that the existing guidelines have been the subject of "continual debate" between SoCalGas and Division of Ratepayer Advocates (DRA) and that its purchasing environment has changed.

DRA filed a response opposing SoCalGas' procedural motions.

#### Discussion

SoCalGas asks the Commission to provide it with more specific guidelines for core procurement. It is unclear from SoCalGas' pleading how SoCalGas proposes to change the existing rules. Apparently, SoCalGas' position would become clear after an en banc hearing. The guidelines, in our view, however, do not require clarification.

The Commission recently adopted core procurement guidelines in D.89-04-080 (and republished them in D.89-11-060). The decision adopted SoCalGas' position that "detailed guidelines (for core procurement) are unworkable during this transition period." Consistent with Commission policy, the decision also found that "utility managers are in the best position to determine ways of meeting broad supply and price objectives, subject to reasonableness reviews." The current rules are as follows:

Utilities shall undertake to procure for their core procurement customers a supply portfolio which reasonably results in certainty of supply availability to serve core peak requirements and which attains this objective at the lowest possible cost. As a secondary goal, the utilities should seek to purchase core supplies which offer price security greater than can be achieved by relying totally on spot or other market price sensitive supply sources. The core portfolio should generally contain some percentage of spot or short-term market-responsive supplies.

Utilities must aim for flexibility in obtaining gas with a combination of fixed and variable pricing terms. We direct the utilities generally to balance the potential cost of periodic run-ups in price with the potential benefits of periodic soft markets. Supply contracts with provisions for price renegotiation must permit the utilities' core customers a fair opportunity to benefit from falling gas prices. Any contracts purchasing gas under fixed price arrangements should be vintaged to hedge the risk of rising or falling prices. The utilities shall include in their ACAP applications information regarding intended portfolio construction and sequencing guidelines for the test period.

SoCalGas' pleading states that these rules should be modified "to reflect the environment in which the gas industry operates today." The pleading, however, does not describe how the environment changed in ways which would have influenced purchasing decisions between April 1989, when the rules were adopted, and the subsequent two-year period which is the subject of the pending 1990 and 1991 reasonableness reviews.

Moreover, reconsideration of the Commission's rules would serve no purpose in the context of pending proceedings in which the Commission is reviewing past procurement activities. The Commission considers the reasonableness of specific utility actions in light of rules and policies which prevailed at the time of those actions. A change in the rules now would not apply to gas purchases made in the past. We may on our own motion choose to consider such a change at an appropriate future time. But, any such clarification or change of the rules would be prospective only.

We will deny SoCalGas' petition to modify D.89-11-060. Related procedural motions are thereby moot and should be denied.

Findings of Fact

1. The Commission adopted guidelines for core procurement in D.89-04-080.

2. SoCalGas' petition to modify the core procurement rules does not specify how it would change the rules and does not describe changes in its purchasing environment which would justify a change in the rules.

Conclusion of Law

SoCalGas' petition to modify D.89-11-070 should be denied and its procedural motions included in that pleading should be denied.

ORDER

IT IS ORDERED that the petition of Southern California Gas Company for modification of Decision 89-11-060 is denied and the procedural motions made in that petition are denied.

This order is effective today.

Dated January 10, 1992, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners

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

  
NEAL J. SHULMAN, Executive Director