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Decision 92-06-033 June 3, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for authority to revise its rates effective October 1, 1991, in its Biennial Cost Allocation Proceeding. (U 904-G)	Application 91-03-039 (Filed March 15, 1991)
In the Matter of the Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902-G) for authority to revise its rates effective October 1, 1991, in its Biennial Cost Allocation Proceeding.	Application 91-03-066 (Filed March 29, 1991)

ORDER MODIFYING AND GRANTING LIMITED REHEARING OF D.91-12-075

Applications for rehearing of D.91-12-075, the 1991 Biennial Cost Allocation Proceeding (BCAP) for Southern California Gas Company (SoCal), have been filed by: the City of Long Beach (Long Beach); California Industrial Group, California League of Food Processors and California Manufacturers Association (CIG); Southern California Utility Power Pool and Imperial Irrigation District (SCUPP/IID); Transwestern Pipeline Company (Transwestern); Kern River Gas Transmission Company (Kern River); the City of Vernon (Vernon); and SoCal. Responses have been filed by the Division of Ratepayer Advocates (DRA), Southern California Edison Company (Edison), and SoCal.

SoCal's application for rehearing, inter alia, challenges the denial of recovery for certain expenses (brokerage fees, interutility transportation fees, and Pitas Point FF&U)

between August 1, 1991 and the effective date of D.91-12-075. That part of SoCal's application for rehearing raises issues closely related to those raised by its application for rehearing of D.91-09-085, which is still pending before this Commission. We wish to resolve these related issues at the same time. We will therefore reserve for later decision the above-mentioned part of SoCal's application for rehearing.

Apart from those issues on which we have reserved decision, we have carefully considered all of the issues and arguments raised in the applications for rehearing and the responses. Based on that consideration, we are of the opinion that legal error has not been demonstrated by any of the parties, although we will modify D.91-12-075 in a number of respects to better explain the reasons for our order. Moreover, we have determined, for the reasons discussed below, that as a matter of policy a limited rehearing should be granted, as requested by the City of Vernon, to establish wholesale rate(s) for natural gas service to be provided by SoCal. Accordingly, apart from granting this limited rehearing and reserving decision on part of SoCal's application for rehearing, we will deny all of the applications for rehearing.

The applicants for rehearing have raised allegations of legal error concerning a number of different areas. We begin with those allegations set forth by the City of Vernon, which we found persuasive as a matter of policy. Vernon, located wholly within the service territory of SoCal, asserts that rehearing should be granted for the purpose of establishing a wholesale rate for natural gas service at the transmission level from SoCal. The City asserts that the Commission should either accept Vernon's own rate proposal, on an interim basis, or promptly determine the appropriate level of wholesale rates.

Approximately three weeks prior to the commencement of hearings in this case, Vernon notified SoCal of its desire to become a wholesale customer. During the proceedings Vernon offered testimony which proposed a wholesale rate. SoCal moved to exclude the issue of wholesale gas service to Vernon on the grounds that Vernon's plans were insufficiently developed for them to be included in the BCAP demand forecast and that to obtain the required information would unduly expand the hearings. The ALJ granted SoCal's motion and the Commission affirmed the ALJ's ruling in D.91-12-075.

Vernon now raises a number of arguments objecting to the Commission's conclusion to exclude this issue. Although none of these arguments demonstrates legal error in the Commission's decision, they are persuasive of a need to resolve this issue as expeditiously as possible. Upon reconsideration, we are of the opinion that the City of Vernon has failed to demonstrate that it was unlawful for the Commission to defer the issue of wholesale rates to another proceeding, rather than considering these questions in the BCAP proceeding, which was already subject to a very tight schedule previously set by the Commission. However, we are persuaded that, as a matter of policy, a limited rehearing should be ordered to establish wholesale rate(s) to be charged by SoCal to the City of Vernon for natural gas service at the transmission level.

Vernon further argues in its petition for rehearing that the decision errs in stating that the City may not even be entitled to wholesale service. Vernon submits that this language in the Commission's decision unlawfully curtails its constitutional right to form a functioning municipal gas utility because it cannot operate without wholesale service from SoCal, which the utility may not render except at rates approved by the Commission. In view of our policy decision to grant a limited rehearing in order to set wholesale rate(s) for Vernon, the language now challenged by the City serves no purpose in the decision. Accordingly, this language is ordered to be deleted and the decision modified, as set forth below.

CIG, SCUPP/IID and SoCal all object to the Commission's treatment of SoCal's allocation of Administrative and General (A&G) costs. The classification of A&G expense follows the approach adopted by the Commission in 1986. In D.86-12-009, the Commission determined that 50% of A&G costs were to be allocated as commodity-related and allocated on an equal cents per therm basis, and 50% classified in the same manner as O&M expenses.

The primary argument asserted by SoCal in its petition for rehearing is that its approach in the new study is superior to the approach adopted by the Commission in 1986. The arguments set forth by CIG and SCUPP/IID are largely repetitive of those asserted by SoCal. Basically, all three parties object to continued reliance on the approach adopted six years ago.. None of these arguments establishes legal error. Essentially these parties seek a reweighing of the evidence and attack a policy decision made by the Commission in the proper exercise of its discretion.

We recognize that a more refined approach to the A&G cost methodology is needed. However, a review of the deficiencies of the current SoCal study affirm that the Commission was not compelled to rely on it. We issued a directive in D.87-05-046 to "do a detailed study of the major cost components of the various A&G subaccounts, including a functionalization and classification of these costs" (24 Cal. P.U.C. 2d 231, 245). SoCal failed to functionalize the required information in conformance with our previous order and presented a methodology contrary to our directive. Accordingly, upon reconsideration, we reaffirm that the SoCal study lacked the proper evidentiary foundation for making the requested changes in the treatment of A&G costs.

SCUPP/IID, Transwestern, and Kern River all object to the Commission's treatment of the "double demand charge" issue. Long Beach objects to the Commission's treatment of its rate design and UEG demand forecast, as well as the Commission's allocation of EOR revenues. We will not discuss these arguments in detail at this point. Rather, we will respond to these arguments by modifying D.91-12-075, in our order below, to better explain the basis for our decision.

First, we wish to admonish parties that apply for rehearing to comply with Rule 86.1 of our Rules of Practice and Procedure. That rule states, in pertinent part:

> Applicants are cautioned that vague assertions as to the record or the law, without citation, may be accorded little attention. The purpose of an application for rehearing is to alert the Commission to an error, so that error may be corrected expeditiously by the Commission.

Long Beach's application for rehearing frequently failed to include specific citations to the record or its own previous pleadings. To a lesser degree, Transwestern referred generally to prior Commission decisions without specific citation. Such shortcomings make our consideration of applications for rehearing more difficult.

Therefore, good cause appearing,

IT IS ORDERED that D.91-12-075 is modified as follows:

1. In the last sentence in the second full paragraph on page 5 the word "agreements" is changed to "arguments".

2. The second full paragraph on page 33 is modified to read:

> SoCal has not sufficiently satisfied the directives in D.86-12-009 and D.87-05-046 to functionalize and classify A&G costs. SoCal presented a methodology contrary to our directives and failed to functionalize the required information in conformance with our previous orders. Both TURN and DRA have noted

> the aggregational error inherent in defining the vague category "operational" without first building it up from its disaggregated constituents. We also agree with TURN's critique of the study's dependence on the assumption that A&G follows O&M, an assumption which we previously rejected in D.86-12-009. In addition, we find persuasive TURN's critique of SoCal's objectivity in performing its study. Although we believe that some movement to increase the amount of A&G allocated to the core from the original 50/50 allocation may be warranted, we will not order that change based upon a flawed and biased methodology.

3. In the first sentence in the first full paragraph on page 44, the words "double demand charge" are placed in quotation marks.

4. The last sentence in the first partial paragraph on page 46 is modified to read:

> They do not need to be relieved immediately of the obligation to pay the interstate pipeline demand charges embedded in SoCal's intrastate rates; furthermore such "relief" could well shift the burden of these costs to SoCal's other customers.

5. A new footnote, number 4A, is inserted on page 46 at the end of the second sentence in the first full paragraph. This new footnote reads:

> 4A Of course, to the extent their leaving the existing interstate system results in stranded capacity that SoCal still must pay for, they are simply having to pay a cost that they did cause.

6. The second sentence in the last, partial paragraph on page 49 is modified to read:

> The witnesses who testified on shifting costs to the core spoke primarily about cost causation, and did not adequately address conservation, affordability, equity, or the

contradiction between their testimony and statutes such as cogenerator parity.

7. The first paragraph on page 58 is deleted.

8. The second, third, fourth, fifth, and sixth sentences in the second paragraph on page 58 are replaced with the following material:

> Our first reaction to the plea that noncore shippers will pay a "double demand charge" is that it is the shipper's choice to ship via Kern River or take firm service on El Paso. Having made the choice with full knowledge of the facts, and especially if they read our discussion of the issue in D.90-02-016, they should not complain now about the results of their choice. Our second reaction is that the shippers have not shown that as a practical matter they will actually have to pay a double demand charge. In D.90-02-016 we found:
>
> > Under the current system of netback pricing there is every reason to believe that new gas producers will absorb the costs of the new pipelines. Producers are prepared to netback all of the new pipeline demand charges in the cost of gas at the wellhead in order to be able to sell gas at competitive prices into the Southern California Market. (Finding of Fact No. 19, 35 Cal. P.U.C. 2d at 252.)
>
> There is no evidence in this proceeding to show any change in position by the producers. In light of what we know about the nature of pricing in the gas industry, we would expect that netback pricing might well occur. Therefore those asking for relief from the "double demand charges" should have tried to show us that they would in fact have to bear the burden of those charges.

9. In the seventh sentence in the second paragraph on page 58 the word "firm" is underlined.

10. In the ninth sentence in the second paragraph on page 58 the words "El Paso for" are inserted before the words "100 units."

11. The last sentence in the first, partial paragraph on page 59 is modified to read:

> To reduce Edison's costs could well trigger the same treatment for those who seek parity with Edison, e.g., the cogenerators.

12. The first full paragraph on page 59 is modified to read:

> Looking at Figure 2, which is the real world, when Edison leaves the system and SoCal gives up firm interstate capacity, SoCal's cost goes down 10%. Under current ratemaking methodology the "other" customers therefore have their rates reduced by 10%, to $81. In the fictitious world, which is Figure 3, SoCal charges $100 for $90 of costs. The "others" pay $9 more than they would under current ratemaking so that SoCal can give that $9 to Edison. Edison also pays $1 more than it would under current ratemaking which SoCal refunds to Edison. SoCal, of course, breaks even. Edison is 100% whole and has firm rights, that it did not have before, purchased with the "others'" money. And the "other" ratepayers no longer have the firm rights that Edison has picked up, but still pay the same rate they did when more firm capacity was available to them. Welcome to the world of gas ratemaking.

13. The first sentence in the last paragraph on page 59 is modified to read as follows (but footnote 6 remains unchanged):

> Besides the above proposals for credit mechanisms, we have also been presented with proposals to reallocate costs by unbundling intrastate transportation rates and excusing shippers who will no longer be using SoCal's interstate capacity rights from paying for SoCal's interstate demand charges.

14. The sentence beginning at the bottom of page 59 and continuing on the top of page 60 is replaced with the following material:

> In D.90-02-016 (35 Cal. P.U.C. 2d 196), we decided not to reallocate existing interstate pipeline costs at that time. As we said:
>
> > We are not persuaded that we should announce a position on reallocation at this time, nor should we state that in the event of a particular occurrence, e.g. the in-service date of a new interstate pipeline, we will reallocate costs. . . . Any pronouncement on reallocation could be harmful to the ratepayers.
> >
> > What Edison and others are seeking is a safety net, assurance that they will not be exposed to a double demand charge for interstate transportation. . . . We believe the better policy is to let the current competitive forces determine the need for a new pipeline without a statement by us, one way or the other, on reallocation of costs. By letting the competitive forces resolve this issue we are saying, let those who want a new pipeline pay for it. Those who assert that there is pent-up demand and almost certain growth which require new service will not be double charged if their predictions come true. Those leaving the existing systems will be replaced by new users or users increasing their take, thus obviating the need for the LDC to charge those who have abandoned or reduced their reliance on the existing system . . . .
> >
> > On a more practical level, to reallocate costs would be to subsidize the new production areas (or the gas purchasers), a result which is nonsense. Every utility, including Edison, expects the producers in the production areas reached

> by the new pipeline to charge for gas at a netback price.
> (35 Cal. P.U.C. 2d at 233.)

Thus, we were concerned, among other things, with two issues. First, we were concerned that any costs of stranded capacity be allocated equitably. Second, we were concerned that announcing a position on reallocation of existing pipeline costs not give the producers a windfall or prejudice negotiations about netback pricing. With regard to the first issue, we stated that further events might demonstrate that there would be no stranded capacity. With regard to the second issue, we did not want to announce our position on reallocation until after the users of the newly available capacity had negotiated their contracts with the producers. In short, we did not wish to take a position on reallocation before the in-service date of the new pipeline(s).

Nevertheless, in this proceeding, before the in-service dates of the new pipelines or the expansion projects, a number of parties once again asked this Commission to decide the reallocation issue. They asked us to decide this issue before we know the extent, if any, to which SoCal will be faced with costs of stranded capacity. And they asked us to decide this issue before the users of the newly available capacity have finished negotiating contracts with the producers. For the same reasons that their request was premature before, it was premature again here. In short, we want to know more about whether there will be any stranded capacity before reaching the reallocation issue and we do not want to unnecessarily prejudice negotiations about netback pricing. As we explain below, we will look at the "double demand charge" issue further in the Capacity Brokering Proceeding. The scope of the Capacity Brokering Proceeding makes that a more appropriate proceeding, than this BCAP, for considering all of the interrelated issues we need to address before we can resolve the claims about "double demand charges".

We have also been presented with proposals to give customers of the new interstate pipelines a credit equal to the interstate pipeline demand charges of El Paso and Transwestern that are currently bundled in SoCal's rates. Under these proposals, the amounts credited would be put in an interest-bearing account and the ultimate responsibility for paying SoCal these sums would be allocated in a subsequent proceeding, such as the implementation phase of the Capacity Brokering Proceeding. In essence, these are proposals to unbundle rates now and reallocate costs later, using a memorandum or balancing account to carry the costs in the interim.

These proposals suffer from many of the same defects as the argument that because we have committed to unbundling interstate demand charges from intrastate transportation rates for noncore customers when we implement capacity brokering, we ought to unbundle now. They both ignore the fact that we have committed to unbundling these charges when we implement capacity brokering because this unbundling is necessary in order to make capacity brokering work. We have not committed to this unbundling because we are convinced that shippers will actually have to bear the burden of "double demand charges". In short, we simply have not been convinced that there is any need to unbundle before we implement capacity brokering.

These credit proposals also suffer from a related defect. The proponents in essence argue that because the Commission is eventually going to have to reallocate these costs when it unbundles rates under capacity brokering, these costs ought to be put in a memorandum or balancing account in the interim, so that the customers of the new interstate pipelines can benefit from the reallocation sooner. We require a more compelling reason to create a memorandum or balancing account. We simply do not create such accounts every time it appears that we might reallocate costs at some time in the future. To the extent reallocation is required by the unbundling that will occur upon

> implementation of capacity brokering, the appropriate effective date for such reallocation is when we implement capacity brokering, not the effective date of this BCAP.
>
> Putting aside the fact that there is no evidence of the amount of gas that will actually flow for the account of shippers who pay demand charges on interstate pipelines and putting aside the other issues discussed above, there is yet another reason the noncore parties, like Edison, have not shown why they should be excused from payment of the interstate demand charges included in SoCal's intrastate rates.

15. The third and fourth full sentences in the first partial paragraph on page 60 are modified to read:

> The interstate rights of SoCal provide security and backup for the noncore, and storage gas; functions which would be significantly lessened or eliminated if SoCal did not have interstate rights of its own. If we unbundle interstate demand charges in implementing capacity brokering, that may ameliorate the noncore concern and at the same time allow us to protect core customers from paying unfairly high rates for stranded and slack capacity.

16. In the ninth sentence in the last, full paragraph on page 60 the words "new new capacity" are changed to "new capacity".

17. In the third line up from the bottom of page 66 the word "core" is changed to "EOR".

18. The sentence beginning at the bottom of page 66 and continuing on the top of page 67 and the first full sentence on page 67 are replaced with the following material:

> For the reasons explained above, we continue to find reasonable the current method of treating EOR revenues as incremental revenues. Long Beach's testimony in this proceeding has shown no reason to alter our prior decisions. Long Beach argues that the wholesale core and the

retail core should receive the same benefits from the EOR revenues. And indeed they both receive the same percentage reduction in system fixed cost responsibility as a result of the EOR revenues. However, we have never treated the wholesale core as identical to the retail core for all purposes. Thus, to the extent that the benefits the wholesale and retail core receive from EOR revenues are not directly proportional to the throughput of those two classes, it simply reflects the fact that wholesale core rates are not set on the same basis as retail core rates.

19. The sentence beginning at the bottom of page 72 and continuing on the top of page 73 is modified to read:

> In that case, according to SoCal's witness, Long Beach could greatly expand its service to Edison and other UEG customers, thus shifting up to $8 million per year in margin contribution from the City of Long Beach to SoCal's retail customers.

20. The last sentence in the second full paragraph on page 73 is replaced with the following material:

> According to SoCal, the consequence of this would be a significant shift in cost responsibility to SoCal's retail customers. (Even Long Beach estimated a revenue shift of nearly one-half million dollars per year.)

21. The second sentence in the last, partial paragraph at the bottom of page 73 is modified to read:

> Long Beach's request for marginal rates lower than those SoCal charges Edison is difficult to understand.

22. The fourth sentence in the last, partial paragraph at the bottom of page 73 is modified to read:

> Yet Long Beach declares that just because it is a wholesale customer it is entitled to a lower marginal rate than charged to Edison.

23. The sentence in parentheses beginning at the bottom of page 73 and continuing on the top of page 74 is deleted.

24. The following paragraph is inserted after the first, partial paragraph on page 74:

> Long Beach contends that charging it the same marginal rate as SoCal charges Edison for UEG service would be discriminatory, in light of the marginal wholesale rate SoCal charges SDG&E, SDG&E's own marginal rate for UEG service, and the rate treatment given to Edison's Cool Water Plant in D.91-05-029. First, we note that due to the different rate designs adopted it is difficult to make direct comparisons of these marginal rates. Second, we note that SDG&E does not compete with SoCal for the same customers. When the Commission adopted rates for PG&E service to Edison's Cool Water Plant in D.91-05-029, there was potential competition between PG&E and SoCal for service to Edison. There rates were set so that the marginal rate for PG&E service to Edison would be the same as the marginal rate for SoCal service to Edison. Similarly, here the marginal rate for service to Long Beach is the same as the marginal rate for service to Edison. We see nothing in these facts that would establish any discrimination. Faced with claims that a lower marginal rate for service to Long Beach would prevent SoCal from competing for incremental service to Edison and that a lower marginal rate for SoCal's direct service to Edison would prevent Long Beach from competing for incremental service, we have simply adopted the same marginal rate for SoCal service to both Long Beach and Edison.

25. The first two sentences in the first full paragraph on page 74 are replaced with the following material:

> Long Beach's assertion that it should pay a lower marginal rate because it has its own costs makes no economic sense. Long Beach has not shown that SoCal's costs will decrease in any significant way just because Long Beach provides the last few miles of service to the Edison plants. This Commission's statutory responsibility is to set reasonable rates for the service SoCal provides to Long Beach and SoCal's other customers. As explained above, we believe we have done so. It is not part of our statutory responsibility to ensure that Long Beach can earn a contribution to its own margin by reselling greater volumes of SoCal service in competition with SoCal's direct service to Edison.

26. The following paragraph is inserted after the first full paragraph on page 74 and before subsection "D":

> We also reject Long Beach's UEG demand forecast. This forecast rests on the notion that Long Beach's apparent demand for gas to serve Edison has been suppressed by an unfavorable SoCal rate design. However, Long Beach's own witness testified that even when SoCal's marginal rate to Long Beach was less than SoCal's marginal rate to Edison, Edison did not substantially shift its purchases from SoCal to Long Beach. Thus, we see no reason to expect a substantial increase in Long Beach's service to Edison now. Moreover, the present decision does not adopt Long Beach's proposed rate design, but instead sets the marginal rate to Long Beach equal to the marginal rate to Edison.

27. The paragraph beginning at the bottom of page 80 and continuing on the top of page 81 is modified to read:

> The ruling of the presiding officer was correct. The SoCal BCAP is a procedure which is governed by a tight schedule (Re Rate Case Plan, D.89-01-040 in R.87-11-012, App. D) to ensure a prompt decision. To have heard Vernon's request would have required an extended period of time. The issue of setting a wholesale rate for a city is not one that can be decided without a thorough hearing and a complete record. The implications involved in the shift of costs to the remainder of SoCal's system are enormous. Whether, in light of the specific nature of Vernon's proposal, its rates for wholesale service should be any lower than the retail rates for the industrial customers it proposes to serve, is a matter yet to be decided.

28. A new Finding of Fact, No. 8A, is inserted on page 86 immediately following Finding of Fact No 8.

> 8A. The Commission should not adopt Long Beach's UEG demand forecast. According to Long Beach's own witness, even when SoCal's marginal rate to Long Beach was less than SoCal's marginal rate to Edison, Edison did not substantially shift its purchases from SoCal to Long Beach. There is no reason to expect a substantial increase in Long Beach's service to Edison based on the approved rate design, which sets the marginal rate to Long Beach equal to the marginal rate to Edison.

29. A new Finding of Fact, No. 36A, is inserted on page 89 immediately following Finding of Fact No. 36.

> 36A. In light of the potential for netback pricing, the shippers have not shown that as a practical matter they will actually have to pay a double demand charge. New gas producers may well absorb the costs of the new pipelines.

30. A new Finding of Fact, No. 37A, is inserted on page 89 immediately following Finding of Fact No. 37.

> 37A. The shippers who ask to be excused now from paying "double demand charges" chose to acquire firm rights in new or relinquished interstate capacity, even though the Commission had not made any commitment to resolve the "double demand charge" issue to their satisfaction. Indeed, in D.90-02-016 the Commission specifically declined to provide reassurance to shippers that they would not be exposed to a "double demand charge".

31. The following material is added at the end of Finding of Fact No. 38 on page 89:

> Under the Edison and DRA proposals, SoCal would collect money from its customers for interstate demand charges in excess of the amount it actually has to pay for those demand charges. Some of the money collected would not be used to pay those demand charges, but would instead be used to give a credit to Edison.

32. Finding of Fact No. 39 on page 89 is modified to read:

> 39. Under the Edison and DRA credit proposal, Edison will have firm interstate service -- a higher level of service than it had previously -- but pay no more in interstate demand charges than before. Conversely, even though SoCal's core customers will face a risk of worse service in periods of high demand, they would pay no less in interstate demand charges than before. That Edison (or any other similarly situated customer) may pay more for an increased quality of service, at least until the issue is addressed further in the Capacity Brokering Proceeding, is not an inequity crying out for immediate relief.

33. New Findings of Fact, Nos. 39A, 39B, 39C, 39D, 39E, 39F, 39G, 39H, 39I, and 39J are inserted on page 89 immediately following Finding of Fact No. 39.

39A. The Edison/DRA credit proposal should not be adopted. Whether Edison is paying too much for firm transportation service because of the Commission's rate design should be addressed in the Capacity Brokering Proceeding.

39B. The proposals to excuse shippers who will be using the new interstate pipelines or the expansion projects from having to pay for SoCal's interstate demand charges could unreasonably shift to other ratepayers the costs of any interstate capacity stranded by their decision to leave the existing system as well as the costs of slack capacity from which they benefit.

39C. In D.90-02-016 the Commission expressed its reluctance to take a position on reallocation of existing interstate pipeline costs. The Commission wanted more information about the extent of stranded capacity before it reached that issue. And the Commission did not want to unnecessarily prejudice negotiations about netback pricing by prematurely announcing a position on reallocation.

39D. For the same reasons, it still would be premature to reallocate costs in this proceeding before the in-service dates of any of the new pipelines or expansion projects.

39E. The Commission should know more about whether there will be any stranded capacity before deciding whether to excuse shippers who will no longer be using SoCal's interstate capacity rights from paying for SoCal's interstate demand charges. The Commission should not unnecessarily prejudice negotiations about netback pricing by excusing the users of newly available interstate capacity from paying for SoCal's interstate demand charges in this BCAP proceeding.

39F. The Commission has committed to unbundling interstate demand charges from intrastate transportation rates because this unbundling is necessary in order to make capacity brokering work, not because the Commission is convinced that shippers will actually have to bear the burden of "double demand charges".

39G. This Commission does not create memorandum or balancing accounts every time it appears that it might reallocate costs at some time in the future.

39H. The Commission should not unbundle interstate demand charges from intrastate transportation rates for noncore customers now, place the revenue shortfall in a balancing or memorandum account, and reallocate costs later.

39I. To the extent reallocation of SoCal's interstate pipeline costs is required by the unbundling that will occur upon implementation of capacity brokering, the appropriate effective date for such reallocation is the implementation date for capacity brokering, not the effective date of this BCAP decision.

39J. The scope of the Capacity Brokering Proceeding makes that a more appropriate proceeding, than this BCAP, for considering all of the interrelated issues the Commission needs to address before it can resolve the claims about "double demand charges".

34. The following material is added at the end of Finding of Fact No. 43 on page 89:

This treatment is based on the fact that EOR revenues are incremental, because no volumes would move at full cost-of-service rates. To the extent that the benefits the wholesale and retail core receive from EOR revenues are not directly proportional to the throughput of those two classes, it simply reflects the fact that wholesale core rates are not set on the same basis as retail core rates.

35. Finding of Fact No. 44 on page 90 is modified to read:

44. Setting Long Beach's marginal wholesale rate below SoCal's tail block UEG rate to Edison, as Long Beach has requested, even

according to Long Beach's figures could unjustifiably shift significant revenue from SoCal.

36. Finding of Fact No. 53 on pages 90 and 91 is modified to read:

53. In light of conflicting claims that a lower marginal rate for service to Long Beach would prevent SoCal from competing for incremental service to Edison and that a lower marginal rate for SoCal's direct service to Edison would prevent Long Beach from competing for incremental service, the same marginal rate for SoCal service to both Long Beach and Edison should be adopted. This approach is similar to the rate design adopted for PG&E service to Edison's Cool Water Plant in D.91-05-029, where rates were set so that the marginal rate for PG&E service to Edison would be the same as the marginal rate for SoCal service to Edison.

37. A new Finding of Fact, No. 53A, is inserted on page 91 immediately following Finding of Fact No. 53.

53A. Long Beach's assertion that it should pay SoCal a lower marginal rate than Edison pays because Long Beach has its own costs is beside the point. Long Beach has not shown that SoCal's costs will decrease in any significant way just because Long Beach provides the last few miles of service to the Edison plants.

38. A new Conclusion of Law, No. 1A, is inserted on page 93 immediately following Conclusion of Law No. 1.

1A. The Commission must look beyond costs when setting rates.

39. A new Conclusion of Law, No. 2A, is inserted on page 93 immediately following Conclusion of Law No. 2.

2A. The rates and rate design approved for SoCal service to Long Beach are not discriminatory, particularly in light of the rate treatment approved for PG&E service to Cool Water.

IT IS FURTHER ORDERED that:

40. Rehearing of D. 91-12-075 is granted, limited to the issue of determining the wholesale rate(s) to be charged by SoCal for service to the City of Vernon at the transmission level.

41. This rehearing shall be held at such time and place and before such Administrative Law Judge as shall hereafter be designated.

42. The Executive Director shall provide notice of this rehearing to all parties in the manner prescribed by Rule 52 of the Commission's Rules of Practice and Procedure.

43. The portions of SoCal's application for rehearing that challenge the denial of recovery for brokerage fees, interutility transportation fees, and Pitas Point FF&U between August 1, 1991 and the effective date of D.91-12-075 are reserved for later decision.

44. Except as expressly granted by today's order, and except as portions of SoCal's application for rehearing are expressly reserved by this order for later decision, rehearing of Decision 91-12-075 as modified herein is denied.

This order is effective today.

Dated June 3, 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