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Decision 98-07-068 July 23, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G) to Establish Core Purchased Gas Account Imbalance Band.	Application 98-03-025 (Filed March 20, 1998)

OPINION

Summary

The application of Southern California Gas Company (SoCalGas) to revise the calculation of the Core Subscription Procurement Charge (CSPC) and the Core Procurement Charge (CPC), make conforming changes in its tariffs, establish a Core Purchased Gas Account (CPGA) imbalance band, and change the effective date of the monthly price for CSPC and CPC to the first calendar day of the month is approved.

Procedural Background

SoCalGas filed its application on March 20, 1998. Notice appeared in the Daily Calendar on March 24, 1998. No protests or responses were filed. In Resolution ALJ 176-2989 (March 26, 1998), the Commission made a preliminary determination that this is a ratesetting proceeding and no hearings are required. The assigned Commissioner issued a scoping memo on May 4, 1998, categorizing the proceeding as ratesetting and determining that no hearing was necessary.

Discussion

Background

SoCalGas's application represents the latest step in an incremental process of bringing commodity pricing for natural gas for core customers[1] into closer alignment with the wholesale market for natural gas. In Decision (D.) 95-07-048, we authorized Pacific Gas and Electric Company, SoCalGas, and San Diego Gas & Electric Company to change rates annually (instead of every other year), and we directed them to show the monthly cost of gas on consumer bills. SoCalGas subsequently sought, and obtained, authority to implement monthly pricing of core gas, in D.96-08-037.

SoCalGas implemented monthly commodity gas pricing for core commercial and core industrial customers on January 1997 and monthly commodity gas pricing for residential customers in June 1997. Based on its experience, SoCalGas believes that monthly core gas pricing can be brought into better alignment with the competitive marketplace and proposes the changes described in the application.

CSPC Timing and Methodology Changes

SoCalGas calculates the CSPC for any given month using a cost of gas component based on its forecasted portfolio weighted average cost of gas (WACOG). SoCalGas now establishes the CSPC on the second business day of the month and issues CSPC tariffs effective on the fifth business day of the month. SoCalGas proposes to file the CSPC on the last business day of each month to become effective on the first calendar day of the following month.

Currently, the CSPC is determined by four factors:

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[1] "Core" customers are generally residential and small commercial customer accounts.

1. The forecasted portfolio WACOG, made after publication of spot gas price indices that reflect the expected market conditions for the month.

2. An adjustment, if necessary, for CPGA over- or under-collection for a prior period.

3. A charge for franchise fees and uncollectibles (FF&U).

4. Non-core brokerage fee.

SoCalGas proposes to adjust the forecasted portfolio WACOG, only, based on estimates of prices for flowing supplies from the different supply basins including prices for baseload packages already purchased for the forecast month and the New York Mercantile Exchange (NYMEX) Bid Program weighting and price impacts for the five primary trading days (Bid Week) before the first day of the forecasted month. The forecasted price will include the commodity cost of gas, mainline fuel costs, and pipeline commodity transportation costs from the production basin to the California/Arizona border.

CPC Timing and Methodology Changes

SoCalGas currently establishes and implements the CPC on or before the sixth business day of each month. SoCalGas now proposes to file CPC tariffs on the last business day of the month to become effective on the first calendar day of the month. The purpose is to minimize any CPGA over- or under-collection imbalance and reduce the need for monthly true-ups. Up to nine days of "stale" rates can be eliminated with this approach, which will also dampen the impact of adjustments due to a customer's billing cycle falling early in the month.

Consistent with the change that SoCalGas proposes for the calculation of forecasted WACOG for the CSPC, SoCalGas proposes to apply the same method for CPC purposes.

Proposed CPGA Imbalance Band

Currently, any CPGA over- or under-collection imbalances are amortized on a monthly basis. This has contributed to monthly price volatility of the CPC and substantial differences between the CPC and the market price. To address this situation, SoCalGas proposes to implement a band equal to ±1% of the actual annual gas commodity purchases in the prior 12-month period ending on March 31 of any year. Any over- or under-collections would be accumulated in the CPGA until the amount of any imbalance exceeds the band, when the CPGA would be adjusted to come within the band limit. Remaining balances would accumulate interest monthly at the three-month commercial paper rate. As a result, deviation from market prices will be reduced. Based on SoCalGas's analysis of 24 months (January 1995 to December 1996), CPGA imbalances from month to month will typically offset each other to the extent that the imbalance band would not often be exceeded. Accordingly, imbalances can be expected to self-correct to a large extent.

Findings of Fact

1. Adjusting the date on which changes to CPC and CSPC become effective to the first calendar day of the month will reduce deviation of those components from underlying changes in the competitive markets for natural gas.

2. An adjustment in the method of forecasting WACOG is made necessary by changing the effective date to the first calendar day of the month.

3. An imbalance band for the CPGA will better align gas commodity procurement charges with the competitive markets for natural gas.

Conclusions of Law

1. SoCalGas should be authorized to implement the changes described in its application.

2. SoCalGas should be authorized to change Schedule G-CP, Schedule G-CS, Schedule GW-LB, Schedule GW-SWG, and Schedule GW-DS as described in its application.

ORDER

IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) is authorized to change the calculation of its forecasted portfolio weighted average cost of gas using best estimates of the weighted volumes and prices of flowing supplies from the different supply basins delivered to the California/Arizona border for purposes of calculating its Core Subscription Procurement Charge (CSPC) and Core Procurement Charge (CPC).

2. SoCalGas is authorized to file the CSPC and CPC tariffs on the last business day of each month to become effective on the first calendar day of the following month.

3. SoCalGas is authorized to establish a Core Purchased Gas Account imbalance band of ±1% of the actual annual commodity gas purchases for the preceding 12-month period ending March 31 of each year, wherein adjustments would be made to the CPC only if the CPGA imbalance falls outside of such band.

4. SoCalGas is authorized to change Schedule G-CP, Schedule G-CS, Schedule GW-LB, Schedule GW-SWG, and Schedule GW-DS as described in its application.

5. Application 98-03-025 is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners