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Decision 99-02-042

February 4, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company for Authority to Revise Its Rates Effective April 1, 1994, in Its Biennial Cost Allocation Proceeding.

**ORIGINAL**

A.93-09-006  
(Filed September 1, 1993)

In the Matter of the Application of San Diego Gas & Electric Company for Authority to Revise Its Rates Effective April 1, 1994, in Its Biennial Cost Allocation Proceeding.

A.93-09-048  
(Filed September 29, 1993)

**ORDER DENYING REHEARING OF DECISION 94-12-052**

**I. Summary**

The Indicated Producers have requested rehearing of Decision (D.) 94-12-052, a Biennial Cost Allocation Proceeding (BCAP) decision. The applicants claim that the Commission denied displacement shippers on Southern California Gas Company's (SoCalGas) transmission system a zone rate credit, and that the decision was based on a misunderstanding of how the system operates. The claim, however, has not been substantiated. The application for rehearing is therefore denied as failing to establish legal error in D.94-12-052.

**II. Discussion**

During the BCAP proceeding, the Indicated Producers argued that natural gas shippers who nominate gas for delivery by displacement through the Wheeler Ridge facilities do not use both the northern and eastern portions of the transmission system of SoCalGas, and should receive an eastern zone rate credit.

(D.94-12-052, mimeo, p. 68.) They again claim and explain in the application for rehearing that a shipper who purchases gas that would normally be transported through the eastern section of the SoCalGas system, but who "exchanges" the gas volumes with another shipper, takes delivery of the gas by displacement only through the northern section, while the corresponding volumes for the other shipper are delivered through the eastern section. The Indicated Producers, therefore, contend that the displacement shipper through the northern section, who pays the bundled SoCalGas transportation rate, should receive a rate credit for not using the eastern section. (Application, pp. 7-8.)

As we stated in D.94-12-052, the Indicated Producers' argument is not persuasive. It fails to include in its analysis the fact that the displacement shipment it describes would not be possible but for SoCalGas's maintaining and operating both the northern and the eastern transportation facilities. The Commission, furthermore, well understood the nature of the transactions of concern to the Indicated Producers. With respect to the claim that the delivered displacement volumes physically use the facilities of only one of the transmission sections, the Commission stated:

"While this may be true in a strictly physical sense, delivery through displacement can occur only if corresponding delivery through displacement occurs in another region. Thus, two sets of facilities are needed for any transaction utilizing displacement. In fact, since both the eastern and northern systems are required to serve each customer, the zone rate credit would not be appropriate for either." (D.94-12-052, mimeo, p. 68; 58 CPUC2d 306, 344.)

Accordingly, the Commission determined that it was reasonable to distinguish between direct shipments and displacement shipments in determining which should be granted a zone rate credit. While direct shipments through Wheeler Ridge of the northern section could occur without use of the eastern

section, the same cannot be said for volumes shipped by displacement, or exchange, transactions. It remains the Commission's judgment, therefore, that the just and fair rate policy for the circumstances presented is to deny the zone credit to displacement shippers.

Questions regarding unbundled rates and zone credits may be reconsidered in a broader context as part of the Commission's forthcoming rulemaking to assess and revise the regulatory structure governing California's natural gas industry (R.98-01-011). At this time, however, we find no legal error in our decision to deny the credit requested by Indicated Producers.

**IT IS THEREFORE ORDERED** that the application for rehearing of D.94-12-052 filed by Indicated Producers is denied.

This order is effective today.

Dated February 4, 1999, at San Francisco, California.

**RICHARD A. BILAS**

President

**HENRY M. DUQUE**

**JOSIAH L. NEEPER**

Commissioners