

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2748
September 23, 1987.

R E S O L U T I O N

RESOLUTION G-2748, SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) REQUEST FOR AUTHORIZATION TO CLARIFY THE BILLING LANGUAGE OF "RATES" UNDER SCHEDULE G-COG, COGENERATION NATURAL GAS SERVICE AND TO INCLUDE THE GAS COST OF UTILITY ELECTRIC GENERATION (UEG) TRANSPORTATION VOLUMES IN THE CALCULATION OF THE COST OF GAS USED IN DETERMINING THE G-COG COMMODITY CHARGE. BY ADVICE LETTER 1724-A FILED AUGUST 20, 1987.

SUMMARY

Southern California Gas Company proposes to clarify the ambiguous wording used to describe the commodity rate calculation and to include all transported gas volumes in the calculation of the Utility Electric Generation (UEG) volumes which form the basis for the G-COG, Cogeneration Service rates.

BACKGROUND

1. Decision 83-12-048, Southern California Gas' Consolidated Adjustment Mechanism (CAM) Offset Rate Revision, described the policy for calculating the cogenerator's rates as:

"Our current policy is that cogenerators should pay a rate equivalent to either 1) the GN-5 rate [Utility Electric Generation Rate] or 2) the applicable industrial rate. The cogenerator can choose which rate it desires, normally the lower of the two. When we authorized a bifurcated episode--non-episode day GN-5 rate which was also indexed to the price of fuel oil it became clear that it was

impossible for the G-COG rate to exactly equate the GN-5 rate. Federal feels that it is necessary that the G-COG rate closely approximate the GN-5 rate because cogeneration might be discouraged if the cogenerators pay higher gas rates than the electric utility. We agree that a close approximation should be maintained.

... We will adopt a mechanism setting the G-COG rate at the same level as the weighted average GN-5 rate of the preceding month using both episode and non-episode day rates."

2. Over the past few years, electric utilities within SoCal's service territory have been buying increased volumes of transportation gas, above the volumes purchased under the GN-5 Tier II rate.

3. As a consequence of UEG transportation purchases, the cogeneration commodity charge rate, tied to a weighted average of the GN-5 Tier I and Tier II rates and volumes, has been increasing towards the higher, GN-5 Tier I rate. The cogenerator's commodity rate is not being maintained as outlined by Decision 83-12-048. The decision's intent was to set the rate as close as possible to the weighted average GN-5 Tier I and Tier II rates paid by the electric utilities.

DISCUSSION

1. SoCal states: "Increased UEG transportation has had a noticeable impact on the G-COG commodity rate which is indexed to the weighted average of the commodity rate and volumes for UEG service. UEG transport gas displaces utility spot sales gas purchases which results in an average cost of gas more heavily weighted by Tier I sales and demand charges."

2. SoCal further warns that increases in UEG transportation volumes may increase the G-COG rate to a dramatic 60¢ per therm. Although SoCal's alternate fuel customers burning fuel oil Nos. 2 and 6 would not be severely impacted by such increases, they state that "it would have a major harmful impact on small, higher priority cogenerators whose rate would more than double."

3. For the purpose of calculating the G-COG rate, SoCal proposes to impute the transportation volumes at the weighted average cost of its short-term purchases using the

GN-5 Tier II price of the applicable month. This proposed method is requested as a temporary adjustment, to be effective only until the OII 86-06-005/ OIR 86-06-006 decision implementation, expected by the end of 1987.

4. SoCal states that it is "virtually impossible to verify customer's actual transportation cost of gas." With no means for verification, SoCal's choices are to update the cost of gas for UEG transportation volumes using their GN-5 Tier II rate or ignore the inequity by continuing to discount the transportation UEG volumes.

5. In a related matter, SoCal also proposes to clarify the methodology for calculating the final bill paid by the cogenerator. Under "Rates", Schedule G-COG presently states: "The actual commodity charge used in calculating the customer's bill is the commodity rate shown above, adjusted by subtracting the Customer/Demand Charge, or shall be the commodity rate of the customer's otherwise applicable rate schedule, whichever is less."

6. Ambiguity exists over which Customer/Demand Charge is to be used, the cogenerator's otherwise applicable rate schedule or the UEG Customer/Demand Charge.

7. SoCal proposes to substitute the following sentence for the sentence quoted above: "The actual commodity charge used in calculating the customer's bill is the commodity rate shown above, adjusted by subtracting the Customer and Demand Charges of the customer's otherwise applicable rate schedule, or shall be the commodity rate of the customer's otherwise applicable rate schedule, whichever is less."

8. The staff of the Energy Branch of the Evaluation and Compliance Division has reviewed this filing and supports the proposal.

9. No protests to this advice letter have been received.

FINDINGS

1. An inequity has occurred in the Southern California Gas Company's G-COG commodity charge rate with the omission of UEG transported volumes from the calculation.

2. Language clarification is needed to resolve the ambiguity over which Customer/Demand Charge, the UEG or the cogenerator's, is used in the G-COG bill calculation, therefore:

IT IS ORDERED THAT:

1. Southern California Gas Company shall include all UEG transported gas volumes in its calculation of the G-COG commodity rate, using the corresponding GN-5 Tier II monthly rate, until directed otherwise by the implementation decisions in OII 86-06-005 or OIR 86-06-006.

2. Southern California Gas Company shall clarify the Customer/Demand Charge calculation within the body of the G-COG Schedule as proposed by Advice Letter 1724-A.

3. Advice Letter No. 1724-A and the accompanying tariff sheets shall be marked to show that they were approved by Resolution No. G-2748, effective September 23, 1987. The revised rates shall be calculated in this adopted manner effective for the October 1, 1987 G-COG commodity charge rate.

This order is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 23, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director