PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2783
April 27, 1988.

RESOLUTION

RESOLUTION G-2783; SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) REQUESTING APPROVAL OF TARIFFS, RULES, AND CONTRACT FORMS SUBMITTED TO COMPLY WITH I.86-06-005 AND R.86-06-006, et al; BY ADVICE LETTERS 1767 and 1767-A.

SUMMARY

1. Southern California Gas Company (SoCal) filed Advice Letter 1767 on February 1, 1988, requesting approval of tariffs, rules, and contract forms submitted in compliance with Decision (D.)87-012-039, implementing a rate design for unbundled gas utility services consistent with policies adopted in D.86-03-057. On March 15, 1988, SoCal filed Supplemental Advice Letter 1767-A.

2. This filing results in a revenue requirement decrease of $221.9 million, or approximately 7 percent. Revenue changes by major category occurring between D. 87-12-039 issued December 9, 1987 and the attrition and tax changes occuring as of January 1, 1988 appear in Appendix A to this Resolution. Appendix B summarizes the effects of this filing's revenue changes on each customer class.

3. Advice Letter filings 1767 and 1767-A propose the cancellation of 15 schedules, the addition of 13 new schedules and Rule 30, and the revision of 4 existing schedules and Rules 1 and 23. In addition, a new Service Agreement Form No. 6412 has been filed. These changes are enumerated in Appendix C of this resolution.

4. This resolution addresses the remaining issues of the protests filed for Advice Letter 1767 and 1767-A but excludes those issues common to Rule 30 and to Advice Letter 1761 filed January 8, 1988. These latter issues are addressed by Resolution G-2776 on the Commission's April 27, 1988 calendar agenda.

BACKGROUND

1. On December 9, 1987, the Commission issued D.87-12-039. This decision established rates to implement the policy decisions which the Commission had made in December 1986, in D.86-12-009 and D.86-12-010, concerning natural gas rate regulation in California.

2. SoCal's Advice Letter filings 1767 and 1767-A were submitted to comply with:

Decision	Issue Date
86-12-009	12-03-86
86-12-010	12-03-86
87-02-029	02-11-87
87-03-044	03-17-87
87-05-046	05-29-87
87-07-044	07-08-87
87-12-039	12-09-87

3. Numerous applications for rehearing, petitions for modification, and corresponding responses were filed for D. 87-12-039. Decisions 88-03-041 and 88-03-085 issued March 9 and March 23 respectively, addressed the issues raised in the applications and petitions. Resolution G-2787 issued April 13, 1988 addressed major protest issues to these advice letter filings. Supplemental filings will be made by SoCal to comply with these and other, subsequent Commission orders.

4. Similar advice letters have been filed separately by Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric (SDG&E) submitting restructured gas tariff rate schedules and rules to comply with the provisions of Decision 87-12-039. Resolutions authorizing these filings are also adopted today.

PROTESTS

1. Protests were filed in response to SoCal's initial advice letter and the supplement. The supplement responded to some of the original protests and added Rules 1, 23, and 30, and the Service Agreement, Form 6412.

2. Some of the protest issues were duplicated in the applications for rehearing and petitions to modify, which were addressed in D.88-03-041 and D.88-03-085. Other issues were addressed by Resolution G-2787 on April 13, 1988. This resolution addresses the issues that remain.

3. The protesters are: Squire, Sanders & Dempsey representing the California Manufacturers Association (CMA); Graham and James representing Southern California Utilities Power Pool (SCUPP) and Imperial Irrigation District (IID); Southern California Edison Company (SCE); Toward Utility Rate Normalization (TURN); Hadson Gas Systems (Hadson); City of Long Beach (Long Beach); San Diego Gas & Electric Company (SDG&E); and Luce, Forward, Hamilton & Scripps representing Mock Resources, Inc. (Mock).

DISCUSSION

FEES AND PENALTIES

1. Passthrough of Penalties. SCUPP and IID request that SoCal modify existing tariff language to reflect that any rate adjustments be "approved for passthrough by the Public Utilities Commission." SoCal's Special Condition 8 of Schedule GT-60 allows the utility to passthrough to customers taking service under this schedule "any penalties or charges incurred by the Utility under an interstate or intrastate supplier contract as a result of accomodating transportation service." SCUPP/IID is afraid that this provision could apply to pipeline take-or-pay charges passed through to SoCal, and could allow SoCal to bill such costs immediately to transportation customers.

The Commission has decided to recover take-or-pay costs in transmission rates as transition costs, although the exact form of this recovery is still unclear.

SoCal's language has migrated from existing tariff schedules GST, GST-1 and GST-2 which contain the phrase "add any applicable taxes, fees, regulatory surcharges, intra-or-interstate pipeline charges imposed as a result of transportation of gas under [these] schedule[s], pursuant to the Service Contract General Terms and Conditions." This condition of service was ratified under the gas transportation workshop and in OIR 86-06-006. It was adopted by the utilities and became effective on regular statutory notice on January 9, 1987.

General Order 86-A, Section IV under the California Public Utilities Code Sections 454, 455, 491, and 532, prohibits the utilities from changing or increasing a rate until a showing has been made before the Commission, and until a finding has been made by the Commission that such an increase is justified. In light of this, the Commission Advisory and Compliance Division (CACD) recommends that SoCal retain the existing tariff language of Special Condition 8. It would be redundant to add the proposed language.

2. Failure of Performance by Third Parties. SDG&E objects to Special Conditions 8 and 9 contained in the Wholesale Transportation Schedule GT-70. Special Condition 8 requires customers to pay for any penalties or charges from suppliers incurred by the utility as a result of accommodating transportation service. Special Condition 9 requires transportation customers to pay costs incurred by the utility because of any failure of third parties to perform their obligations to the customers relating to the transportation service.

SCUPP and IID complain further that Special Condition 9 of Schedule GT-60 is too vague requiring customers to "pay any costs incurred by the Utility because of any failure by third parties to perform their obligations to the customer related to providing such services." They want such costs to be better defined.

SoCal replies that both of these special conditions serve to obligate the customer to be responsible for any extra costs imposed on SoCal by his contracting for service under this schedule. SoCal argues that these special conditions protect other ratepayers and shareholders from extra costs imposed on the company by customers who transport. SoCal states: "it would obviously be inequitable to shift such costs from the transportation customer who negotiated the contracts to other customers or to utility shareholders who had nothing to do with them. The customers who entered into the contracts must bear the risk that their contractual partners may not perform."

The obligation of service costs incurred through use of the utility transportation system must be borne by the customer. CACD recommends that Special Conditions 8 and 9 of Schedules GT-60 and GT-70 be retained.

3. El Paso Standby Surcharge. SCUPP and IID propose that Special Condition 10 of Schedule GT-60 covering the application of the El Paso Standby Surcharge be expanded to provide that it will not be assessed by SoCal after the date that it is eliminated from El Paso Natural Gas Company (El Paso) tariffs. "It is SCUPP/IID's understanding that El Paso proposes to eliminate the standby surcharge in the rate filing currently under consideration by the Federal Energy Regulatory Commission (FERC) in Docket No. RP88-44-000."

SoCal responds that they "cannot pass through any El Paso Standby Surcharge unless El Paso imposes such a charge. If and when El Paso's right to make such charges is eliminated from El Paso's tariffs, SoCalGas will amend its tariff."

CACD recommends that SoCal's present language on the El Paso Standby Surcharge be retained until the FERC has approved the proposed change affecting this charge.

On another aspect of the El Paso Standby Surcharge, Long Beach argues that if the surcharge is added to its wholesale volumetric rate, that its rate should be discounted by an equivalent amount to allow its volumetric rate to SCE to remain competitive with SoCal's volumetric rate to SCE.

SoCal responds that the El Paso surcharge is added to the rate of any customer that causes El Paso to bill such a charge to SoCal, including both SCE and Long Beach. Granting Long Beach an equivalent discount would remove the effect of the surcharge from SoCal's rate to Long Beach, but not from SoCal's rate to SCE.

The El Paso Standby Surcharge, adopted by the FERC, and subsequently by the Commission under Resolution G-2727 issued June 15, 1987, functions to unbundle the El Paso transportation rate into a transportation charge and a second charge for non-incremental customers covering all transportaiton volumes displacing El Paso sales gas. The two components are billed to SoCal for gas delivered to the California border for non-incremental gas customers. If SoCal discounted Long Beach's surcharge, not only would Long Beach gain an unfair advantage, but SoCal would bear the additional costs subsidizing Long Beach in its rates. SoCal should continue to apply the El Paso Standby Surcharge to Long Beach's rates.

4. Method of prorating demand charges. Resolution G-2787 issued April 13, 1988 found that demand charges would be retained under supply and capacity curtailments, but would be waived under conditions of force majeure and scheduled maintenance with proper 30-day notice from the customer. SCUPP, IID and SDG&E recommended a slight change in the way demand charges were to be prorated from what had been proposed by SoCal. SoCal's tariff provides for prorationing according to the ratio of the number of days gas is available in the billing period to the total number of days in the period.

SCUPP and SDG&E are concerned about how this provision will be applied to Utility Electric Generation (UEG) and wholesale customers, who generally have usage in more than one end use priority. SCUPP proposes prorationing according to the percentage of days that the customer's requirements are satisfied. SDG&E proposes use of the ratio of the volume of gas made available to the customer's volumetric requirements.

SCUPP and SDG&E raise a valid concern about how SoCal's language would be applied. SDG&E's proposed modification is reasonable, which provides for prorationing of demand charges according to the volumetric percentage of the customer's requirements that are satisfied. However, SCUPP's proposal would seem to allow the customer to avoid all demand charges on days when only a small portion of its requirements were unmet.

SoCal states that the current prorationing language is appropriate for commercial and industrial customers whose demand charges are based on historical usage and whose meters are read only once per month, but inappropriate for UEG and wholesale customers.

SoCal proposes to prorate demand charges for UEG and wholesale customers using the forecast volumetric gas throughput amounts, rather than actual amounts. SoCal agrees with the basic proposal but argues that "it is not definitive enough for calculating a dollar amount and leaves loopholes for abuse which cannot be permitted with the large dollars involved."

For each affected day, the method would use the daily average forecast amount or the customer's requested nomination, whichever is less, minus the delivered amount divided by the monthly forecast delivery. This result multiplied by the monthly demand charge would create the amount of the daily demand charge to be forgiven. However, if over the full month the customer receives its total forecast monthly obligation, despite a curtailment, the customer would be obligated to pay the full demand charge.

Since the UEG and wholesale customer's demand charges are based on forecast volumetric gas throughput amounts, having different rates and priorities, CACD recommends that proration for UEG and wholesale customers use SoCal's methodology described above. CACD recommends that proration of commercial and industrial customer's demand charges be based on the number of days gas is offered.

GENERAL TERMS AND CONDITIONS OF SERVICE

1. Unbundling Noncore Service. TURN and SCUPP/IID complain that Schedule GN-60 and certain other procurement schedules reflect transmission. SCUPP states that this is inconsistent with the Commission's order to unbundle noncore service.

SoCal responds that TURN and SCUPP/IID "fail to understand how SoCal Gas has implemented unbundled rates...customers wishing transmission-only service are served under 'GT-xx' transportation rate schedules. Customers wishing procurement service are served under 'GN-xx' rate schedules containing unbundled rates that bill transmission and procurement separately."

CACD suggests that some formatting changes could improve the readability of each of the schedules proposed by SoCal, but that SoCal has complied with the unbundling concept of the Commission. CACD recommends that SoCal consider reformatting their tariff schedules in a future filing.

2. Negotiable Terms. SCUPP and IID propose to include the phrase "terms or conditions of service" in Special Condition 2 of Schedule GN-60 to read: "By mutual agreement, terms of conditions of service, volumes or transmission charges may be different from those shown above."

SoCal stipulates that it will include such language.

The idea that contract terms and conditions are negotiable is not used consistently in the Special Conditions of each procurement schedule. This addition to each procurement schedule would serve to explain that terms or conditions were also negotiable in the service contract. SoCal should repeat this condition of service in its other procurement schedules.

3. Definition of Winter Season. Hadson points out that some SoCal tariffs define the winter season as November 1 through April 30, while others define it as December 1 through March 31.

SoCal explains that for the purposes of baseline definitions, the winter season is November 1 through April 30. This is also true for the core commercial and industrial customers. For the purposes of determining the noncore D-2 demand charge, the December 1 through March 31 definition has been instituted by D.86-06-009 (page 44). The demand charge allocations for noncore D-2 are aligned with this second definition.

The two winter season definitions were adopted from PG&E testimony (Exhibit 8 of I. 86-06-005), which characterized two, distinct seasonal differences based on observation of annual peak usage between the core and noncore customer classes.

4. Eligibility of Core Cogenerators for Transportation. Hadson states that Schedule GT-50's Special Condition 3, explaining contract negotiations, should acknowledge that core customers of sufficient size are eligible to transport

gas under Schedule GT-20 and that further, to the extent that such gas is used for cogeneration, the Schedule GT-50 rates should apply.

SoCal explains that cogeneration equipment is assigned priority 3A under Rule 23, and is therefore noncore. The customer's cogeneration usage "of sufficient size" is eligible for transportation under Schedule GT-50. The noncogeneration portion of the customer's usage is eligible for transportation under whatever core or noncore schedule applies to that usage.

CACD has reviewed both Schedules GT-20 and GT-50. Schedule GT-20 at Special Condition 5 explains that, to the extent a GT-20 core customer qualifies to transport gas as a cogenerator, that customer may elect to become a noncore customer and transport gas under Schedule GT-30; Schedule GT-50 does not clarify all the options available to the prospective transporter. SoCal should include language in GT-50 referring the customer to other, applicable schedules for gas transport.

5. Core-elect Procurement. SDG&E objects to the last sentence of Special Condition 4 of Schedule GN-70 which states: "Core-elect procurement customers may enter into a new core-elect contract for the same or a lesser amount of gas upon expiration of their old core-elect contract." SDG&E argues that "there is no decisional authority which prohibits core-elect customers from increasing their core-elect volumes when renewing service."

SoCal responds and CACD concurs that on page 25 of D. 87-03-044, the Commission adopted the following modification to page 57 of D. 86-12-010: "Core-elect customers may enter into a new core-elect contract upon expiration of their old core-elect contract, but only for the same or a reduced volume." This language was adopted in response to a request by TURN concerning the portfolio switching ban.

We note that Palo Alto raised this issue in I. 86-06-005, and D. 87-12-039 (p. 106) stated that "we will allow the parties [the utility and the wholesale customer] to negotiate such things as adjustments, growth, and prorations."

The language in D. 86-12-010, as modified by D. 87-03-044, makes clear that when the portfolio switching ban is in effect, core-elect customers may only renew their contracts for volumes less than or equal to the volumes in the old contract. D. 87-12-039 recognized that an exception should be made to this policy in the case of growth in the core loads of wholesale customers, and that the exact nature of such an exception should be negotiated between the wholesale customer and the serving utility. SoCal should revise its Special Condition 4 to reflect this understanding.

LENGTH OF SERVICE, TERMS

1. One-Year Minimum Term. SCUPP and IID propose that SoCal delete Special Condition 3 of Schedule GN-60 for reasons of discrimination, for it does not appear in any other noncore procurement schedule, and for reasons of redundancy, because Special Conditions 5, 6, and 7 address the subject of notice of termination. They argue that if parties desire such a provision, it may be included in their negotiated contract. Special Condition 3 states: "The minimum term of service under this schedule shall be a one year period. The term of service is renewable upon mutual agreement of the parties. To renew, written notice is required 60 days prior to the contract expiration date." Each of the other conditions address: 30-day notice for termination of the non-core procurement provisions of the service contract; 12 month termination notice in order to be relieved from paying demand charges beyond one year; and a one year minimum term for core-elect service.

CACD recommends retention of Special Condition 3 for it is a useful explanation about renewing service under the schedule. This condition of service also appears under Schedule GN-70, Wholesale Procurement.

2. Termination Notice Clarification. SCUPP and IID request clarification between provisions permitting termination on fifteen days' notice and provisions requiring twelve months' notice among the various transmission schedules.

SoCal responds that "Schedule GT-60 is a transportation rate schedule. Special Condition 4 is intended to allow "evergreening" of negotiated short-term transportation contracts. Special Condition 6 embodies the Commission-mandated requirement that a customer continue to pay demand charges for 12 months following notice of intent to leave the utility system altogether. To clarify this intent, the phrase "under this schedule" will be removed from the sentence requiring the customer to provide 12 months prior notice of "termination of service." However, if a transportation customer under Schedule GT-60 were to switch to procurement service under Schedule GN-60, he would pay demand charges under the latter schedule; he would not continue to pay demand charges under Schedule GT-60."

SoCal's removal of the phrase "under this schedule" from Schedule GT-60, Special Condition 6 should clarify the intents of both Special Conditions 4 and 6.

3. Termination Notice, Wholesalers. Long Beach and SDG&E object to Special Condition 5 of Wholesale Procurement Schedule GN-70, which requires that the customer must provide 30 days' written notice to terminate noncore procurement service. SDG&E requests a 15-day notice provision, instead.

SoCal responds and CACD concurs that the Adopted Rule for noncore procurement service set forth on page 88 of D.86-12-010 states: "Contracts for noncore procurement will have a 30-day notice provision for termination by either party." Customers may also nominate zero volume purchases for any given month following a revision to the noncore portfolio WACOG (D.87-03-044, p. 25). SoCal states that this provision has been incorporated into those rate schedules with noncore procurement as an option.

Service Agreement - Form 6412

CMA questions the columns for "Primary Rate" and "Otherwise Applicable Rate", wanting a definition for their use. SoCal explains that the purpose of the "Otherwise Applicable Rate" column in paragraph 1.7 of Article I of the service agreement is for the the "otherwise applicable rate" of any transportation customer or cogeneration procurement customer.

SDG&E objects to Special Condition 2, to the extent it suggests that Form 6412, Contract for Gas Service, shall serve as the model or basis for a negotiated contract between SoCal and its customers. SDG&E argues that due to the special nature of wholesale customers, wholesale customers should not be required to "fit into" this contract, although they understand that they may negotiate a service contract with SoCal with very different format, terms and conditions.

SoCal responds that Form 6412 is only a model contract serving as a starting point for negotiations and recognizes that wholesale customers are allowed to negotiate individual contracts.

SHORTAGE ISSUES

1. Diversion of Gas - Supply Shortage. Long Beach takes issue with Special Condition 7 of Schedule GT-70, which states: "In the event of supply shortages, customers under this schedule shall receive their transportation volumes, except during an emergency declared by the Commission requiring the use of the customer's gas to service Priority 1 and 2A core procurement customers." Long Beach argues that this provision should indicate that the confiscation of gas in the case of a supply shortage does not include Long Beach's own core requirement. Long Beach adds that the correct language does appear in Rule 23.

SoCal cites the Adopted Rule of pages 122-123 of D. 86-12-010:

> "Utilities may direct customer-owned gas from transmission-only customers to serve P-1 and P-2A customers receiving gas from the core portfolio only after all other curtailment steps have been taken and the Commission declares a supply emergency... ...Wholesale customers will, however, be allowed to negotiate firm, core transmission priority for up to the amount of load represented by their residential and commercial customers (i.e. their P-1, P-2A, and P-2B load). With respect to procurement, wholesale

customers will be treated similar to other noncore customers. To the extent wholesale customers purchase utility gas supplies, that supply will be served at parity with retail service of the same priority."

SoCal explains: "the extent to which wholesale customers may have firm transmission capacity to move customer-owned gas to their high priority load during a supply emergency must be negotiated with SoCal. To the extent wholesale customers purchase their core requirements from SoCal's core portfolio, wholesale core customers will be served in parity with retail core customers during a supply emergency."

CACD notes that Schedule GT-70 omits the Adopted Rule's sentence stating that "Wholesale customers will, however, be allowed to negotiate firm, core transmission priority for up to the amount of load represented by their residential and commercial customers (i.e. their P1, P2A and P2B loads)." SoCal should include this sentence in its Schedule GT-70.

2. Rule 23 - Definitions of Supply and Capacity Shortages. SCUPP and IID propose that SoCal expand its definition of capacity shortage in Rules 1 and 23 so that it applies to restrictions or limitations on related facilities as well as transmission and distribution pipelines. They cite one example could be a restriction in the withdrawal facilities at one of SoCal's storage fields, as has been described in the Investigation (OII) 87-03-036 for storage banking.

SCUPP proposes to include such "related facilities" as equipment for injecting and withdrawing gas from storage, so that if a restriction in such facilities results in curtailment, it would be a "capacity" curtailment, just as much as curtailment caused by a restriction in transmission or distribution pipelines.

SDG&E proposes that the phrase underground storage field withdrawal rates be added to the definition. Similarly, SDG&E proposes to include underground storage as one supply source listed in the the definition of supply shortage.

SoCal objects to these proposals being considered in this proceeding. They argue that the definitions of capacity and supply curtailment for the purposes of this proceeding have already been settled, and should not be changed at this late date. CACD agrees with SoCal's suggestion that a redefinition should be deferred to the procurement proceeding, OII 87-03-036.

TRANSPORTATION OF CUSTOMER-OWNED GAS - RULE 30

SoCal has included in its filing of 1767-A a new ten page rule, Rule 30, by transferring the majority of its long term transportation contract to create the rule. The rule outlines General Terms, Quantities Transported, Operation Requirements, Interruption of Service, Accounting and Billing, Gas Quality, and Termination or Modification, Regulatory Requirements and Warranty and Indemnification.

Protests have been levied against the sections dealing with quantities, operational requirements, interruption of service and accounting and billing. These latter three topics are addressed by SoCal Advice Letter 1761, and are the subject of Resolution G-2776 also issued today. Other protested issues are discussed below.

1. Monthly Balancing. Long Beach complains that Section B.2 discussing Quantities now requires a customer to balance monthly as opposed to SoCal's more liberal, previous proposals. SDG&E also has concerns with this section, which states:

> "2. In the event that at any time Utility determines that more of a customer's gas has been delivered into the utility system than customer has accepted on redelivery ("excess gas"), excess gas shall go into a month to month balancing account for application during the following month(s). Any imbalances may be reduced at the utility's discretion, by requiring customer to adjust downward its deliveries to Utility, or by Utility purchasing the excess at the lower of customer's gas cost or at Utility's lowest cost of gas. In the event of curtailment, excess gas in balancing accounts will not be made available to customers until the curtailment has ended."

SDG&E objects to the first sentence of this paragraph allowing SoCal to make a determination "at any time" regarding the balance between the volumes of gas the customer delivers into the SoCal system and the volume the customer accepts on redelivery. SDG&E believes the phrase "at any time" gives SoCal "too much discretion to truncate gas balances."

SoCal argues that this phrase must be retained because "there is no possible justification for restricting the times at which SoCal should be allowed to assess the operational requirements of its own system in relation to deliveries and redeliveries of transportation gas."

CACD agrees with SoCal for the inclusion of the phrase "at any time." SoCal must be able to balance its system gas for the benefit of the whole system. If unplanned for, excess gas is delivered to the system over an extended period of time, unchecked, SoCal could experience severe operational problems.

2. Purchase Price for Excess Gas. SDG&E objects to the provision allowing SoCal to purchase excess transportation gas "at the lower of customer's gas cost or at Utility's lowest cost of gas." SDG&E would have SoCal purchase the excess transportation gas at its own "decremental cost of gas".

SoCal responds: "Given the potential for changes in SoCal's purchasing sequence (depending on periodic changes in the cost of various supplies), determining the "decremental cost of gas" at any given time could prove difficult -- assuming the parties could agree on the meaning of the term. Moreover, this concept could obviously result in a windfall to the transportation customer whenever the utility's "decremental cost" is higher than the price the customer paid for the gas. Finally, SoCal could face reasonableness review problems if it were to purchase a transportation customer's gas at the "decremental cost" when it could obtain equivalent volumes from some other source at a lower price."

The objections to the phrase "at the lower of customer's gas cost or at Utility's lowest cost of gas" were also raised with SoCal's Advice Letter 1732 for interutility transportation. In Resolution G-2762, the Commission established a compensation mechanism for excess deliveries based upon the noncore WACOG. SoCal petitioned to modify the resolution regarding this mechanism. Since this is subject to a pending decision in Application (A.) 88-03-021, CACD recommends deferral to that proceeding.

3. Volume Fluctuations. SDG&E objects to Rule 30's Section B.4, which allows SoCal to refuse to accept fluctuations in volumes of transportation gas in excess of 10 percent of the previous day's deliveries. SDG&E argues that its electric generation requirements will often cause its volumes to fluctuate more than ten percent from day to day, and that SoCal should be required to accommodate such fluctuations through the use of its storage fields.

SoCal counters that, "In the first place, this provision may only be exercised if in Utility's opinion receipt of such gas would jeopardize other operations." If fluctuations of transportation volumes in excess of 10 percent would jeopardize other operations, the wholesale customer may still use transportation gas for its base load requirements, and accommodate daily fluctuations in excess of ten percent through purchases from SoCal. Moreover, the last sentence of paragraph 4 states that "customer may make arrangements acceptable to Utility to waive this requirement."

SoCal believes this matter should be left to negotiations between the parties and CACD agrees with this recommendation.

4. Reduction to Historical Demand Levels. Rule 30's Section B.7 allows the utility to reduce a transportation customer's annual and daily quantities to the customer's historical demand level if he does not use the full quantity specified in the contract. SDG&E objects to this provision as not being supported "by any decisional authority or other justification."

SoCal responds that the concept embodied in this paragraph was first considered by the Commission at page 40 of Decision 85-12-102, and has been affirmed in subsequent decisions. (Decision 86-03-057, Ordering Paragraph 1 and Appendix A, page 4, item 6.) As the Commission explained, one purpose of this provision is to prevent a transportation customer from "executing a direct purchase contract to cover his baseload, and then playing the utility off on the spot market for gas supplies for the variable load up to the contract maximum." Another purpose of the provision is to minimize excess capacity caused by transporters not delivering their contract quantities.

5. Changing Priorities. SDG&E objects to the last sentence in Section D.1, which states that once a transportation customer with more than one priority classification designates the transportation volumes to be assigned to each priority, he may not change the priorities "during a curtailment period or more often than monthly".

SoCal explains that "SDG&E has protested this restriction to SoCal on a number of occasions in recent months. The purpose of this restriction is to prevent transportation customers, including wholesale customers who purchase a portion of their requirements from the utility, from escaping the consequences of a supply curtailment to the detriment of remaining utility customers who have no transportation option."

SoCal adds: "If SDG&E could change the designated priorities of its transportation volumes any time it wished, including during periods of supply curtailment, it could use its transportation volumes to make up for supplies curtailed from SoCal, and thereby escape the Commission's requirement that wholesale customers should designate their gas purchase requirements by priority and that gas to wholesale customers should be provided at parity with retail service of the same priority." (D.86-12-010, pp.121-122)." CACD concurs with the inclusion of SoCal's current definition in Section D.1.

6. Accounting & Billing. SDG&E complains that Section E on accounting and billing for transportation gas does not provide "compensation for the time value of money on unpaid balances or overcharges."

SoCal explains and CACD concurs that its tariffs do not provide for the payment of interest for billing adjustments. Section J of the Preliminary Statement of the tariff prohibits the utility from paying interest unless specifically provided for in the tariff schedules, or ordered by the Commission.

PRELIMINARY STATEMENT

Southern California Gas Company has not filed a Preliminary Statement with either Advice Letter 1767 or 1767-A. CACD recommends that one be filed for review and compliance outlining the new accounting practices and procedures applicable to the restructured gas industry.

FINDINGS

1. Identified take-or-pay costs are recovered in transmission rates as transition costs. Any additional costs may not be passed through to customers without Commission review and approval. Special Condition 8 of Schedule GT-60 should be retained.

2. Service costs incurred through use of the utility transportation system are borne by the customer. Special Conditions 8 and 9 of Schedule GT-70 should be retained.

3. The El Paso Standby Surcharge applies to all SoCal non-incremental gas transportation customers for those volumes purchased which displace El Paso sales gas.

4. Proration of demand charges shall occur under conditions of force majeure and scheduled maintenance with 30-day notice.

5. Demand charge proration in cases of force majeure and scheduled maintenance with proper 30-day notice for commercial and industrial customers should be based on the ratio of the actual usage to the historical usage in the same month.

6. Demand charge proration in cases of force majeure and scheduled maintenance with proper 30-day notice for UEG and wholesale customers should be based on the volumes delivered, as recommended in the discussion on page 6.

7. Southern California Gas Company should revise the format of its tariff schedules in a future filing to lessen customer confusion.

8. Southern California Gas Company should add language to its procurement schedules to explain that terms or conditions of service are negotiable in the service contract.

9. The winter season for core customers is November 1 through April 30. The winter season for noncore customers is December 1 through March 31.

10. Southern California Gas Company should include additional language in Schedule GT-50's Special Conditions referring the customer to other, applicable schedules for gas transport.

11. Wholesalers having increasing core procurement needs in future years should be allowed to increase their core-elect

volumes to insure meeting their customers' core demand growth.

12. Southern California Gas Company should retain its Special Condition 3 of Schedule GN-60 explaining how to renew service under the schedule.

13. Contracts for noncore procurement have a 30-day notice provision for termination by either party. Customers may also nominate zero volume purchases for any given month following a revision to the noncore portfolio WACOG.

14. Southern California Gas Company should clarify Schedule GT-70 by including: "Wholesale customers will, however, be allowed to negotiate firm, core transmission priority for up to the amount of load represented by their residential and commercial customers (i.e. their P1, P2A and P2B loads)."

15. Proposed revisions to the definitions of supply and capacity shortages involving "related storage facilities" should be deferred to the procurement proceeding, OII 87-03-036.

16. Southern California Gas Company should retain the phrase "at any time" within its Rule 30, Section B.2.

17. The compensation mechanism for excess deliveries should be deferred to A. 88-03-021.

18. Volume fluctuations greater than ten percent should be left to negotiations between the parties.

19. The utility must be able to reduce a transportation customer's annual and daily quantities to his historical demand level, if the customer does not use the full quantity specified in the contract.

20. Once a transportation customer with more than one priority classification designates the transportation volumes to be assigned to each priority, he may not change the priorities during a curtailment period or more often than monthly.

21. The Commission shall postpone action concerning proposed interest payments in cases of overbillings and underbillings until El Paso Natural Gas' new billing system is proven.

22. Southern California Gas Company should file a new Preliminary Statement outlining the new accounting practices and procedures applicable to the restructured gas industry.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company shall file revised tariff sheets, rules, and a model contract in accord with the provisions of General Order 96-A, consistent with each of the findings listed above, with D.88-03-041 and D.88-03-085, Resolution G-2787 and G-2776.

2. Southern California Gas Company shall also include in the above tariff sheets those stipulations agreed to in the responses to the protests of Advice Letters 1767 and 1767-A.

3. SoCal shall file a Preliminary Statement within ten days of the date of this order. Any disputes involving the accounting or other provisions included in the Preliminary Statement will be resolved based upon the Statement that we ultimely approve.

4. Advice Letter No. 1767-A and the changed tariff sheets modified as indicated above, shall be marked to show that they were adopted by Resolution No. G-2783, effective May 1, 1988.

4. This order is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 27, 1988. The following Commissioners approved it:

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

Executive Director

APPENDIX A

SOUTHERN CALIFORNIA GAS COMPANY
Revenue Requirement Summary
And Reconciliation

LINE ITEM	CATEGORY	12/9/87 D.87-12-039 TABLE TOTAL (000's)	2/1/88 COMPLIANCE FILING TOTAL (000's)
1.	COMMODITY COST	$ 1,362,828	$ 1,362,829
2.	FIXED DEMAND COST	323,716	323,716
3.	GAS TRANSITION COSTS	89,604[1]	89,603[2]
4.	SUBTOTAL	$ 1,776,148	$ 1,776,148
5.	CARRYING COST OF STORAGE INVENTORY	$ (3,261)	$ 8,682
6.	CAM BALANCE	6,667[3]	6,082[4]
7.	SUBTOTAL	$ 1,779,554	$ 1,790,912
8.	FRANCHISE FEES AND UNCOLLECTIBLES (Retail @ 1.864% Wholesale @ 1.543%)	$ 34,079	$ 34,291
9.	MARGIN ALLOCATION (Authorized Fixed Costs less Pipeline Demand Charges)	1,248,070	1,235,607
10.	SUBTOTAL	$ 3,061,703	$ 3,060,810
11.	CCA REVENUES	$ 51,444	$ 51,444
12.	TRANSITION COSTS (GEDA)	18,421	18,421
13.	(less) NET EXCHANGE REVENUES	(24,423)	(24,334)
14.	(less) INTER-UTILITY REVENUES	(806)	(806)
15.	TOTAL REVENUE REQUIREMENT	$ 3,106,428	$ 3,105,535
16.	REVENUES AT PRESENT RATES	$ 3,327,480	$ 3,327,480
Revenue Requirement Decrease		$ (221,052)	$ (221,945)

1. El Paso liquids (72,333 M$) and MPO-related transition costs of (17,271 M$).
2. El Paso liquids (72,333 M$) and MPO-related transition costs of (17,270 M$).
3. Two-year amortization of the estimated 5/31/88 CAM Balance.
4. Two-year amortization of the estimated 4/30/88 CAM Balance.

APPENDIX A

Southern California Gas Company

Reconciliation of Revenue Requirements
12/09/87 Decision Versus 02/01/88 Compliance Filing

Line Item	Comment
1.	Variance of $1,000 is due to rounding differences in the calculation of MPO transition costs derived from the adopted cost of gas.
2.	See discussion of line item No.1.
4.	Reflects flow-through arithmetic changes.
5.	Difference is due to the change in calculation methodology. In SoCal Gas' 1988 attrition decision (effective 1/1/88), SoCal Gas was ordered to remove storage inventory from rate base and to concurrently recover only inventory carrying costs on the recorded value of gas in storage based on the prevailing monthly short-term debt rate. Prior to January 1, 1988, SoCal Gas was authorized to include storage inventory in rate base and was further authorized to recover carrying costs on "true-up" differences between the unit cost of gas (used to value storage) authorized in the last general rate case and the unit cost of gas being recorded on the books. In calculating carrying costs under the old procedure, the adjustment was necessarily negative in recent periods since the recorded (and forcasted) cost of gas was lower than those costs adopted in the last general rate case.
6.	CAM balance was re-estimated using more current information as authorized in the December 9 decision.
7.	Reflects flow-through arithmetic changes.
8.	Reflects flow-through arithmetic changes.
9.	Reflects changes in authorized margin as of January 1, 1988. Adjustments are for 1988 attrition and LNG.
13.	The $M24,334 figure shown in SoCal Gas' February 1 compliance figure is correct figure. The $M24,423 shown in the December 9 decision appears to be a typographical error, since that figure does <u>not</u> flow from any of the cost of gas estimates agreed-to by stipulation and discussion. Exchange revenues are generated as a consequence of cost of gas assumptions.
15.	Reflects flow-through arithmetic changes.

APPENDIX B

SOUTHERN CALIFORNIA GAS COMPANY

Summary of Revenue Changes
2/1/88 Compliance Filing
(000's)

	Revenue at Present Rates	Revenue at Proposed Default Rates	Increase (Decrease)	Percent Change
CORE				
Residential	$ 1,530,014	$ 1,477,202	$ (52,812)	-3 %
Other Core	772,567	583,618	(188,949)	-24 %
Adjustment	537	228	(309)	N/A
Subtotal	$ 2,303,118	$ 2,061,048	$(242,070)	-11 %
NONCORE				
Industrial	$ 236,859	$ 227,974	$ (8,885)	-4 %
Cogeneration	41,432	40,760	(672)	-2 %
Util. Elec. Gen.	498,544	502,204	3,660	1 %
Long-Term Contracts	6,303	6,303	0	0 %
Subtotal	$ 783,138	$ 777,242	$ (5,896)	-1 %
WHOLESALE				
Long Beach	$ 33,775	$ 40,395	$ 6,620	20 %
SDG&E	164,120	183,385	19,265	12 %
Subtotal	$ 197,895	$ 223,780	$ 25,885	13 %
Enhanced Oil Recovery	$ 43,329	$ 43,467	$ 138	0 %
SYSTEM TOTAL	$ 3,327,480	$ 3,105,536	$(221,944)	-7 %

APPENDIX C

SOUTHERN CALIFORNIA GAS COMPANY

LIST OF SCHEDULES AFFECTED

REVISED Tariff Schedules/Rules

Preliminary Statement

GR - Residential Service
GS - Multifamily Service Submetered
GM - Multifamily Service
GL - Street and Outdoor Lighting Natural Gas Service (Renamed from G-30)

Rule 1 - Definitions
Rule 23 - Shortage of Gas Supply, Interruption of Delivery and Priority of Service

RETAINED and Unchanged Tariff Schedules/Rules

G-SRF - Surcharge to Fund Public Utilities Commission Reimbursement Account
GIT - Interruptible Interutility Transportation
GLT - Long Term Transportation of Customer Owned Gas
GLT-1 - Long Term Transportation of Customer Owned Gas
GLT-2 - Long Term Transportation of Customer Owned Gas

Rules 2-22,24-29

NEW Tariff Schedules

GN-10 - Natural Gas Core Service for Small Commercial and Industrial

GN-20 - Natural Gas Core Service for Large Commercial and Industrial
GT-20 - Transportation of Core Customer-Owned Natural Gas

GN-30 - Natural Gas Noncore Service for Commercial and Industrial
GT-30 - Transportation of Customer-Owned Natural Gas for Large Commercial and Industrial

GN-40 - Natural Gas Service for Enhanced Oil Recovery
GT-40 - Transportation of Customer-Owned Natural Gas for Enhanced Oil Recovery Service

GN-50 - Natural Gas Service for Cogeneration
GT-50 - Transportation of Customer-Owned Natural Gas

for Cogeneration Service

GN-60 - Gas Service for Utility Electric Generation
GT-60 - Transportation of Customer-Owned Natural Gas for Utility Electric Generation

GN-70 - Wholesale Natural Gas Service
GT-70 - Transportation of Customer-Owned Natural Gas for Wholesale Service

Rule 30 - Transportation of Customer Procured Gas
(Old Rule 30 - Limitation upon Natural Gas Service cancelled by D.92704 (2/18/81) effective March 20, 1981.

Schedules Expiring May 1, 1988

GN-1 - Commercial and Industrial Natural Gas Service
GN-2 - Commercial and Industrial Natural Gas Service
GN-21 - Gas Engine Natural Gas Service
GN-22 - Dehydrating Equipment Natural Gas Service
GN-3 - Commercial and Industrial Natural Gas Service
GN-4 - Commercial and Industrial Natural Gas Service
GN-5 - Natural Gas Service for Utility Electric Generation
GN-7 - Natural Gas Service for Enhanced Oil Recovery
GN-8 - Bid Rate
GN-SNR - Contract Rate Natural Gas Service (Expires 6/30/88)
G-COG - Cogeneration Natural Gas Service
G-60 - Wholesale Natural Gas Service
G-61 - Wholesale Natural Gas Service
GST-1 - Short-Term Transportation of Customer-Owned Natural Gas
GST-2 - Short-Term Transportation of Customer-Owned Natural Gas
GLT-3 - Long Term Transportation of Customer Owned Gas