

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION G-2850
December 19, 1988

R E S O L U T I O N

RESOLUTION G-2850. SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E). AUTHORIZING MODIFICATION OF SCHEDULE GPCE TO ALLOW NEW NONCORE CUSTOMERS THE OPTION TO PURCHASE GAS FROM THE CORE PORTFOLIO DURING A SWITCHING BAN.

BY ADVICE LETTER 655-G, FILED OCTOBER 24, 1988

SUMMARY

1. By Advice Letter 655-G, filed October 24, 1988, San Diego Gas and Electric Company (SDG&E) requested authorization to modify Schedule GPCE, Natural Gas Service for Core-Elect Customers, so that SDG&E's first time noncore customers can elect to purchase gas from the core portfolio whether or not a switching ban is in effect.
2. SDG&E's Advice Letter is approved.

BACKGROUND

1. Schedule GPCE sets forth the provisions for procurement of gas from the core-supply portfolio. It applies to the purchase of natural gas procured by SDG&E primarily from long-term supplies with pricing security.
2. In accordance with Commission Decision (D.) 86-12-010, Schedule GPCE specifies that noncore customers may not elect core procurement service except when the noncore portfolio price is less than or equal to the core portfolio price. This rule is known as the "portfolio switching ban". Prior to the May 1, 1988 implementation of the new rate design, the Commission allowed all noncore customers to choose their supply options without limitation.
3. On November 23, 1988, the Commission, by Resolution G-2831, authorized Pacific Gas and Electric Company (PG&E) to modify its similar Schedule G-PC so that PG&E's new noncore customers could have the option to purchase gas from the core portfolio during a switching ban. The conditions of SDG&E's request in Advice

Letter 655-G are similar to those approved by Resolution G-2831 for PG&E.

PROTESTS

1. No protests have been received by the Commission Advisory and Compliance Division.

DISCUSSION

1. SDG&E proposes to modify Schedule GPCE so that new first-time noncore customers can elect to purchase gas from the core portfolio whether or not a "switching ban" is in effect.

2. SDG&E claims that this filing is an equity issue and should be authorized for three reasons:

(A) Most of the new gas loads being connected to SDG&E's system are cogeneration projects and therefore should receive gas rate parity.

(B) All new noncore customers should have every supply option available when first connecting gas load.

(C) This advice letter request is in accordance with Section 454.4 of the Public Utilities (PU) Code.

3. Based on D. 87-12-039 as modified by D. 88-03-041, the Commission interpreted Section 454.4 of the PU Code to guarantee transmission rate parity, not procurement rate parity for cogenerators and utility electric generation (UEG) customers. On page 103 of D. 87-12-039, the Commission stated: "For procurement service, cogenerators will face the same procurement options available to all customers. Noncore cogeneration customers will have the same procurement options as noncore UEG customers. (Emphasis added)...We find that by adopting this structure for cogeneration rates we continue to meet our statutory obligation under PU Section 454.4 to set cogeneration rates at parity with UEG. For transmission service, cogenerators will have the option of paying a true-up UEG transmission rate or their otherwise applicable rate....cogenerators will receive rate parity with UEG customers whenever they buy gas from the utility...Only when cogenerators or UEG customers exercise their noncore procurement option to buy gas independently of the regulated utility service will the Commission be unable to guarantee procurement rate parity."

In order for cogeneration customers to have the same options as UEG customers, election into the core portfolio must be available under the same terms as are available to UEG customers.

Existing cogeneration customers have made their procurement choices and are not the subject of this resolution. New customers, however, may at times face fewer options than UEG

customers, depending solely on whether they happen to contract for new service when the portfolio switching ban is in effect.

Maintaining parity of procurement choice for cogeneration customers requires a relaxation of the portfolio switching ban for new customers.

4. SDG&E's equity argument is that since all noncore customers, prior to May 1, 1988, had the opportunity to purchase from available supply options, this same provision should also be granted to all new noncore customers. The Commission, in D. 86-12-010, put into effect the portfolio switching ban rule. The portfolio switching ban was intended to prevent short-term arbitrage by noncore customers of a cheaper core portfolio price. Although arbitrage by new customers is also possible, we conclude that this possibility is outweighed by the equity argument for allowing new customers the same procurement choices as were available at the time the Commission implemented the new gas industry structure.

5. SDG&E has mailed a copy of this Advice Letter to all utilities and interested parties requesting notification of advice filings.

FINDINGS

1. Maintenance of cogeneration rate parity requires the relaxation of the portfolio switching ban for new cogeneration customers.
2. Equity requires that all new customers have available the same procurement options as were available to all customers when the Commission implemented the new gas industry structure.
3. Since SDG&E Advice Letter 655-G is similar to PG&E's Advice Letter 1491-G which was previously authorized by Resolution G-2831, SDG&E's request should also be granted.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to modify Schedule GPCE to allow new noncore customers to have the option to purchase gas from the core portfolio during a switching ban as requested in Advice Letter 655-G.
2. Advice Letter No. 655-G and accompanying tariff sheets shall be marked to show that they were authorized by Resolution G-2850 and became effective on and after December 19, 1988.

3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 19, 1988. The following Commissioners approved it:

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


Executive Director