

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2904
July 6, 1990

R E S O L U T I O N

RESOLUTION G-2904. DISPOSITION OF SOUTHERN CALIFORNIA GAS COMPANY REQUEST FOR AUTHORIZATION TO PROVIDE A PRO FORMA CONTRACT FOR TRANSPORTATION OF NATURAL GAS FOR LARGE RESIDENTIAL CUSTOMERS.

BY ADVICE LETTERS 1913, FILED ON NOVEMBER 6, 1989, AND 1913-A, FILED ON FEBRUARY 23, 1990

SUMMARY

1. By Advice Letters 1913 and 1913-A, Southern California Gas Company (SoCal) requests authority to make three changes in its tariffs: 1) add a pro-forma contract for transportation of customer-owned natural gas for large residential customers, 2) add text referencing the contract in Schedules GS (Multifamily Service, Submetered), GM (Master Meter Multifamily Service), and GSL (Multifamily Service, Low Income Service), and 3) revise the title of Schedule GT-20 (Transportation of Core Customer-Owned Natural Gas) to clarify that this schedule applies to commercial and industrial customers only.
2. Forest City Management (Forest) filed a protest to Advice Letter 1913 on November 22, 1989, and requested service for its Park Labrea apartment complex under GT-20.
3. The Division of Ratepayer Advocates (DRA) filed a protest to Advice Letter 1913-A on March 8, 1990.
4. This Resolution denies the request and refers the issue of the terms and conditions of core transportation to the Commission's current gas proceeding, R. 90-02-008.

BACKGROUND

1. Special Condition 7 of the current SoCal Tariff Schedules GM, GS, and GSL states that "Customers receiving service under this schedule with usage at each facility in excess of 250,000 therms per year may qualify for transportation service under a special contract."
2. According to current SoCal Tariff Schedules, Schedule GT-20 (Transportation of Core Customer-Owned Natural Gas) is applicable

to transportation of customer-owned gas for use at each facility classified in Rule 23 as Priority 1 and 2A with usage exceeding 250,000 therms per year. This schedule references Schedule GN-20 (Natural Gas Core Service for Large Commercial and Industrial Customers) in its discussion of customer charges and volumetric unit charges.

3. Decision (D.) 85-12-102 ordered gas utilities to offer long-term gas transportation services to customers who wished to purchase non-utility gas supplies. In March 1986, D. 86-03-057 ordered short-term transportation tariffs for residential customers. Both long-term and short-term transportation rates were ordered on an "equivalent margin recovery" approach. D. 86-12-009 (page 54) states, "...we want the customers taking bundled service to be indifferent to other core customers taking transmission-only service. For a customer in the core class to obtain transmission-only service, it will be required to enter into a contract with the utility."

4. D. 86-12-010 (page 67) states that "core customers which opt out of core procurement service can only return as elected core procurement customers." Customers are also prohibited from returning to core procurement when the core procurement charge is lower than the non-core procurement charge (page 57).

NOTICE

Public notice of this Advice Letter was made by publication in the Commission calendar, and by SoCal mailing copies to other utilities, governmental agencies and to all interested parties who requested notification.

PROTESTS

Forest filed a protest to Advice Letter 1913 on November 22, 1989. SoCal responded on December 6, 1989, three working days more than the five-working-day response period specified by G.O. 96A. Commission Advisory and Compliance Division accepted the late response because it facilitated evaluation of the issues.

DRA filed a protest to Advice Letter 1913-A on March 8, 1990.

DISCUSSION

1. SoCal initially requested permission to revise its tariff schedules to include a pro-forma contract for residential natural gas transportation service among its sample forms, and to add text in Schedules GS, GM, and GSL to refer to the contract. The contract, known as Form 6497, specified in item number six that residential transportation customers might return to the utility's core procurement only under core-elect procurement service. So Cal also requested to change the title of Schedule GT-20 to read "Transportation of Customer-Owned Natural Gas for Large Core Commercial and Industrial Service." This change would distinguish between tariffs for commercial and industrial gas transportation service and residential gas transportation service.

2. So Cal did not develop a separate tariff for large residential customers because very few meet the consumption requirement of 250,000 therms per year to qualify for gas transportation service. Instead, SoCal added Special Condition 7 to Rate Schedules GM, GS, and GSL to accommodate transportation for large residential customers.

3. In its filing, SoCal referenced Commission decisions that specify how transportation rates for residential service and commercial and industrial service are to be established. In D. 85-12-102 and D. 86-12-009, the Commission stated that transportation service rates should maintain equivalent margin contributions existing in the current sales rates. Specifically, the transportation charge would be calculated by subtracting the procurement charge from the applicable sales rate.

4. In D. 87-12-039, the Commission established separate rate structures for residential and commercial and industrial customers¹. The Commission further specified that, on average, the rates for commercial and industrial customer classes shall not equal the rates for the residential customer class. Therefore, it is not appropriate to combine elements from residential rates with elements from commercial and industrial rates.

5. Although Schedule GT-20 lacks language that specifically excludes residential customers, the rate structure indicates that this schedule applies to industrial and commercial service. In its discussion of customer charges and volumetric charges, GT-20 refers to Schedule GM-20, which specifically applies to large commercial and industrial customers. SoCal's filing would eliminate any ambiguity about the applicability of Schedule GT-20 to residential transportation, and would correctly state the Commission's rates and policies for service to different customer classes.

6. Forest is an owner of the Park Labrea residential apartment complex located in Los Angeles. The complex uses in excess of 250,000 therms per year and is served under SoCal's Rate Schedule GM, a schedule for residential service that provides for transportation of customer-owned gas under contract. In May 1989, Forest began negotiations to purchase gas from a third party supplier and transportation-only service from SoCal.

¹ D.87-12-039, page 83, adopted a residential rate structure based upon a baseline rate and a higher Tier II rate for usage in excess of baseline allowance. At Page 85, the decision defines a seasonally differentiated, two tier declining block rate for Commercial and Industrial customers.

7. Forest stated that the language of Schedule GT-20 indicates that it applies to transportation of customer-owned gas for residential users such as itself. In addition, Forest presented numerous references to the Commission's past practice of finding in favor of a complainant when faced with ambiguous tariffs, or in situations where more than one rate might apply. Forest requested that the Commission either reject the filing or exempt Labrea from the modifications sought by SoCal.

8. SoCal responded that at no time did it state that GT-20 was appropriate for residential transportation-only service. SoCal stated that the transportation only service requested by Forest is based upon a rate design which includes an equivalent margin for Commercial and Industrial customers. Since Forest is requesting transportation-only service as a residential customer, the proper transportation-only rate must be based upon a residential customer equivalent margin.

9. The question of whether Forest should receive service under GT-20 due to ambiguity of the tariffs should be referred to the Commission as a formal complaint. This is not a suitable matter for an advice letter filing.

10. SoCal filed Advice Letter 1913-A on February 23, 1990. In the supplemental filing, SoCal modified the contract that specifies the terms under which a residential customer can use transportation service. The modification allows core transportation customers to return to core procurement service in the event the customers do not transport their full requirements. This modification represents a deviation from D. 86-12-010, which requires core customers that opt out of core procurement service to return as core-elect customers.

11. DRA filed a protest to Advice Letter 1913-A, stating that it represents a deviation from established Commission policy and because the new provision for returning the customer to core procurement would place a burden on the other core customers. DRA's review of the Advice Letter indicated that SoCal would have to procure the gas necessary to serve Park Labrea even when Park Labrea was transporting its own gas, because SoCal will always have to be ready to re-establish core service in the event that Park Labrea does not transport its full requirements. DRA claims that SoCal's other core customers would have to bear the costs and risks of standby procurement service for Park Labrea. DRA recommends that SoCal's request be denied, stating that if large core customers want the same price options as non-core customers, then they should be subject to the same rules and market risks associated with being a non-core customer. If unwilling to assume those risks, then the large core customer should remain with core service.

12. SoCal's modification to its proposed special contract for residential transportation would provide a new core standby service. Because equivalent margin pricing was employed to determine the residential gas transportation rate, the core standby service would be offered at no additional charge to the large residential customer that wishes to transport its own gas.

FINDINGS

1. The Commission has established separate rate designs and rate schedules for the residential class of customers and the commercial and industrial class of customers.

2. SoCal's Rate Schedules GM, GS, and GSL provide residential service. Special Condition 7 of these schedules offer transportation-only service for residential customers by special contract.

3. While GT-20 does not explicitly exclude residential customers, its rate design and reference to GN-20 (Gas Service for Large Core Commercial and Industrial Customers) demonstrate that it is intended for commercial and industrial customers.

4. SoCal should add language in GT-20 to eliminate possible ambiguity as to whom it applies.

5. One protestant, Forest, owns a large apartment complex that receives service under SoCal's residential tariff schedules. The customer's current tariff schedule provides for gas transportation under special contract. Forest is requesting transportation service under Schedule GT-20, which contains a rate structure intended for commercial and industrial customers.

6. The protestant is referred to a formal complaint procedure to examine whether there is precedent for serving the customer under GT-20 due to alleged ambiguity or applicability of multiple tariffs.

7. The Commission has stipulated that core customers who opt out of core service can only return as core-elect customers. This ban on portfolio switching was intended to protect core customers from bearing the costs and risks of procuring gas for transportation-only customers.

8. Advice Letter 1913-A requests permission to deviate from Commission Decision 86-12-010, in order to provide core standby service at no additional charge to large core transportation customers.

9. A second protestant, DRA, claims that other core customers will be required to bear the risks and costs of core standby service for residential transportation customers. DRA believes that core transportation customers should be subject to the same rules and market risks as non-core transportation customers.

10. CACD agrees with DRA's protest to the extent that core standby service should not be provided at no charge.

11. Advice Letters 1913-G and 1913-A should be denied, and SoCal should file a petition to modify D. 86-12-010 if it seeks a change in or deviation from Commission policy.

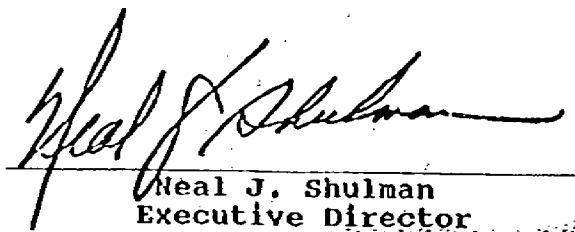
12. The issue of core transportation and its impacts on other core customers has been raised in R. 90-02-008. In this proceeding, the utilities have been requested to develop rules for implementing a proposal to aggregate core customer loads to qualify for transportation-only service. The Commission may also determine that this is the appropriate proceeding to decide if core standby service should be available to core transportation customers, and its terms and conditions.

THEREFORE, IT IS ORDERED THAT:

1. Advice Letters 1913 and 1913-A and their accompanying tariff sheets shall be marked to show that they were rejected by Resolution G-2904.
2. The protest filed by Forest City Management is denied without prejudice so that Forest City Management may pursue a formal complaint if it wishes to do so. The Energy Branch of the Commission Advisory and Compliance Division shall send a copy of this Resolution to Forest City Management Inc.
3. Southern California Gas Company shall amend the title of Schedule GT-20 to eliminate possible ambiguous applicability to residential customers.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 6, 1990. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners


Neal J. Shulman
Executive Director