PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2953
June 19, 1991

RESOLUTION

RESOLUTION G-2953. SOUTHERN CALIFORNIA GAS COMPANY TARIFF SCHEDULE G-IMB, TRANSPORTATION IMBALANCE SERVICE TO COMPLY WITH GAS PROCUREMENT FILINGS REQUIRED UNDER DECISION 90-09-089, ET AL.

BY ADVICE LETTER 2026, FILED ON APRIL 17, 1991.

SUMMARY
Resolution G-2953 orders minor wording changes to the tariff sheets proposed by Southern California Gas Company for its Imbalance Trading Schedule, in order to provide greater clarity and flexibility for noncore customers.

BACKGROUND

1. Southern California Gas Company (SoCal) filed Advice Letter 2026 on April 17, 1991 in compliance with Decision (D.) 90-09-089 et al, to provide a Transportation Imbalance Service, Rate Schedule G-IMB, for customers transporting gas.

2. On May 22, 1991 the Commission adopted Resolution G-2948 which conditionally approved advice letter filings required under the decisions from R.90-02-008. These decisions adopted final rules changing the structure of the gas utilities' procurement practices and refined elements of the regulatory framework for California gas utilities. SoCal Advice Letter 2026, a proposed schedule addressing gas imbalance trading, is one element of the tariff changes filed to comply with the various decisions.

3. Notice was provided by publication in the Commission's Daily Calendar. Notice was also provided by SoCal to a utility customer service list, comprised of other utilities and government agencies, and to parties of record to the Procurement Rulemaking (R.) 90-02-008, and R.88-08-018, for capacity brokering.

DESCRIPTION OF SERVICE

1. SoCal states that a transportation imbalance exists when a customer's actual usage does not match deliveries of its purchased gas into SoCal's transportation system. The Imbalance Trading service allows customers to offset their transportation

imbalances by trading imbalance quantities with other customers, authorized marketers and core aggregators. At the end of the designated trading period, imbalances remaining outside of the tolerance band (defined as plus or minus 10% of a customer's consumption) will be subject to Standby Procurement Charges or Buy-Back.

2. SoCal's Imbalance Trading Service is comprised of four components: a) Imbalance Trading, b) a No-Charge Balancing Service, c) Standby Procurement, and d) Buy-Back. SoCal notifies customers of their imbalances at the end of a billing cycle. Customers effect trades through the use of an electronic bulletin board, which posts willing traders' volumes needed to be sold or purchased.

3. Any transporter of natural gas on the SoCal system, including core and noncore customers, aggregators and authorized marketers, who have incurred and who are financially responsible for transportation imbalances, may participate in imbalance trading.

4. The Balancing Service is provided by SoCal at no charge, providing the customer maintains balances within the 10% tolerance band. Standby Service provides utility gas as a back-up, should the customer use more gas than is delivered and should the customer not trade its imbalance. If Standby Service is used, a penalty applies. Buy-Back Services provide that the utility will purchase a customer's overdelivery of gas, if the customer does not effect a trade to reduce the overdelivery.

5. SoCal outlines the following principles as governing imbalance trading:

- The volume eligible for trading is 100% of a month's calculated imbalance volumes (deliveries minus metered consumption).
- Only those imbalances occurring within the same consumption period may be traded.
- Customers may only trade their imbalance volumes (positive or negative) towards zero, not in the opposite direction nor to the other side of zero.
- Imbalances will be calculated on an aggregate customer basis, not by individual account or delivery point. Notification and billing of imbalance volumes will be made on the last account or delivery point.
- Customers, aggregators and authorized marketers may use their storage account(s) to offset their own or other parties' imbalances.

6. SoCal states that it will notify customers beginning in April 1991 of any existing imbalances to give them the opportunity to adjust these volumes by the August 1, 1991 implementation date. On August 1, any remaining imbalances will be included as transportation gas for the month of August and will be subject to trading or associated standby and buy-back provisions. Imbalances may also be nominated into or out of the customer's storage account(s).

PROTESTS

1. The California Industrial Group, California Manufacturers' Association and the California League of Food Processors (CIG) jointly submitted a protest to Advice Letter 2026 on May 7, 1991. SoCal responded to CIG's protest on May 24, 1991.

2. CIG generally found Schedule G-IMB to be consistent with the relevant Commission decisions, but had comments and concerns about five issues under the Special Conditions of service.

Combined Facilities

CIG requests clarification about SoCal's use of the term "order control code" under Special Condition 2. This condition states that imbalances will be calculated by combining all of a customer's meters under the same order control code. CIG prefers to interpret this statement to encompass all facilities of one entity or company under the transportation provisions, but is unsure of SoCal's meaning.

SoCal responds that the term "order control code" is used within the SoCal billing system to identify those meter numbers specified by the customer, which are grouped together to determine transportation imbalances. SoCal replies that it intends to permit customers to identify particular meters and authorized marketers/aggregators to identify groups of customers and meters under a single order control code for billing purposes. SoCal adds that it does not intend to restrict the manner in which customers or authorized marketers group meters or facilities.

The Commission Advisory and Compliance Division (CACD) believes that SoCal's response clarifies that the term "order control code" does apply to all the identified facilities of an entity or company, satisfying CIG's preferred description. This clarification should be added to the tariff by defining order control code in context with the use of the term.

Imbalance Trades

CIG objects to SoCal's Special Condition 4, which provides that customers are allowed to trade imbalances only towards zero. CIG believes that this restricts the universe of customers with whom an imbalance customer can effect a trade. CIG argues that there is no reason to impose standby penalties on a combination of customers, such as one with a negative imbalance of 12% and a second with a positive imbalance of 2%. CIG believes that if a trade can occur between two customers which together fall within a 10% combined tolerance margin, no penalty should be applied.

SoCal agrees with CIG that it should allow a trade to occur between such customers and states that it will modify its earlier position. SoCal replies that it will restate Special Condition 4 to allow all trades to occur within a 10% tolerance level, but cautions that a trade must stay within the tolerance band. CACD believes that this modification will improve trading conditions for customers and will enhance SoCal's system operations.

<u>Trading Period</u>
CIG opposes SoCal's Special Condition 4 which provides a 15-day trading period which will begin on the 5th day of the month following receipt of the bill and will close on the 20th day of that month. CIG points out that if the 5th and the 20th occur on weekends or holidays, the trading period will be shortened. SoCal will not allow a trade to occur the next business day.

SoCal responds that the trading period must close within 15 days of opening so that it may have adequate opportunity to assess the results of trading transactions and determine whether penalties need to be assessed in the next billing cycle. SoCal argues that even 13 days of trading (when the last day falls on a Saturday) will be sufficient time for customers to access the electronic bulletin board to effect their trades.

San Diego Gas and Electric Company (SDG&E) allows its customers 20 days from the date of the notice to effect an imbalance trade. Pacific Gas and Electric Company (PG&E) provides approximately 25 days to negotiate a trade and respond to the utility.

CACD is not convinced that a possible 11 to 13-day trading period under SoCal's tariff will allow sufficient time to execute an imbalance trade. CACD is also concerned that this timeframe may be eroded further if a particular customer's billing cycle does not syncronize with the 5th through the 20th calandar days of a month. Although an electronic bulletin board may operate during non-business hours, weekends, and holidays, a customer should be assured of at least 15 days to execute an arrangement. SoCal should modify its tariff to allow all trades occurring during the trading period to be accepted on the next business day, if the the 20th calendar day falls on the weekend or a holiday.

<u>Pipeline Charges</u>
CIG protests Special Condition 9 which requires the customer to reimburse the utility for any penalties or charges incurred by the utility as a result of providing this imbalance service. CIG states that the Commission has not authorized such a condition under the procurement decisions. CIG submits that this condition should be eliminated. As a second best alternative, CIG suggests

that the customer should be liable only for any penalties or charges borne by the utility which are a direct result of the customer's own actions.

SoCal argues that it is reasonable for the customer who caused the imbalance to be responsible for any increased charges imposed on the utility due to the customer's imbalances. SoCal argues that such charges do not result from the utility providing the imbalance service, but from the creation of the imbalance by the customer, its authorized marketer, or its supplier.

In addition, SoCal replies that CIG misinterprets the purpose of imbalance charges, when it states that the penalties will be more than adequate to reimburse the utility for any penalties imposed by interstate pipelines. SoCal states that the imbalance charges are intended to create a disincentive for customers and authorized marketers to prevent imbalances, not to reimburse utilities for increased pipeline penalties.

Special Condition 9 reads:

> "Under this schedule, the responsible customer will reimburse the Utility for any penalties or charges incurred by the Utility under an interstate or intrastate supplier arrangement as a result of providing this imbalance service."

Any pipeline penalties directly attributable to a customer should be borne by that customer. However, the most usual cause of a penalty incurred by the utility is not so directly apparent. The Commission's procurement decisions do not authorize a pipeline penalty charge to be applied to use of an imbalance service. Any pipeline penalties not directly attributable to a particular customer incurred by the utility must be addressed under cost allocation proceedings. No unknown, or indirect charge may be assessed unless it is authorized by the Commission. CACD recommends SoCal rephrase Special Condition 9 to state:

> "Under this schedule, the responsible customer will reimburse the Utility for any penalties or charges incurred by the Utility under an interstate or intrastate supplier arrangement as a <u>direct</u> result of providing this imbalance service."

<u>Billing Adjustments</u>

CIG argues that Special Condition 10 should be clarified to prohibit any retroactive assessment of penalties or standby charges as a result of a defective meter, billing error or subsequent billing adjustment.

These issues were addressed in Commission Resolution G-2948, page 58, adopted May 22, 1991. If the utility makes a billing error which overbills the customer, the utility must refund the difference. If the utility underbills the customer, the customer is liable for the difference and any associated penalty. The customer is not relieved of imbalance penalties when a subsequent billing is made. This is because the utility's information may not be made available by the transporting interstate pipeline until after the close of the billing period. SoCal did not reply to these issues again and CACD has no additional recommendations.

FINDINGS

1. The term "order control code", as used by SoCal, denotes the identification of those meter numbers specified by the customer which are grouped together to determine transportation imbalances and it encompasses all the identified facilities of an entity or company.

2. An imbalance trade between customers will be restated to allow all trades to occur, so long as the 10% tolerance band is not exceeded.

3. SoCal's 15-day trading period can be reduced to 11 or 13 days.

4. SoCal would not allow a customer to trade an imbalance after the 20th calendar day, if that day falls on a weekend or a holiday.

5. No unknown or indirect charge may be assessed by the utility unless it is authorized by the Commission.

6. A customer is liable for penalties or charges borne by the utility which are a direct result of the customer's own actions or inactions.

CONCLUSIONS

1. SoCal should clarify that the term "order control code" encompasses all the identified facilities of an entity or company.

2. SoCal should rephrase its imbalance trading language to allow all trades to occur, so long as the 10% tolerance band is not exceeded.

3. SoCal should allow a trade to occur beyond the stated 20th calendar day to the next business day, if that date occurs on a weekend or a holiday.

4. SoCal should reword its Special Condition 9 to state that penalties borne by the utility may be charged to a customer if the customer directly caused the penalties to be incurred.

THEREFORE, IT IS ORDERED that:

1. It is reasonable to implement Southern California Gas Company's Imbalance Trading tariff as modified above.

2. Southern California Gas Company shall file a revised advice letter and tariff sheets in compliance with the provisions of General Order 96-A, consistent with each of the findings and conclusions listed above.

3. Southern California Gas Company shall file a revised advice letter and tariff sheets five business days from the effective date of this resolution.

4. Southern California Gas Company Advice Letter 2026 and its tariff sheets shall be marked to show that they were supplemented.

5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 19, 1991. The following Commissioners approved it:

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

NEAL J. SHULMAN
Executive Director