

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2956  
June 19, 1991

I N T E R I M  
R E S O L U T I O N

RESOLUTION G-2956. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), AND SOUTHWEST GAS CORPORATION (SOUTHWEST) SUBMIT PROPOSED EXPERIMENTAL TARIFFS AND RULES TO COMPLY WITH DECISION 91-02-040 UNDER ORDER INSTITUTING RULEMAKING (OIR) 86-06-006 AND 90-02-008 FOR CORE AGGREGATION PROGRAMS.

BY PG&E ADVICE LETTER 1637-G FILED ON MARCH 15, 1991 AND SOUTHWEST ADVICE LETTER 427 FILED ON MARCH 26, 1991.

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SUMMARY

This Interim Resolution conditionally approves the advice letters mentioned above, with modifications. It also orders PG&E, Southwest, Southern California Gas Company (SoCal) and San Diego Gas and Electric Company (SDG&E) to track the Minimum Average Rate Limiter charges for master meter customers electing core aggregation in a separate tracking account until the next appropriate Cost Allocation proceeding.

A subsequent resolution will discuss PG&E's supplemental filing, Advice Letter (A.L.) 1637-G-A, filed on May 21, 1991, and corresponding protests.

BACKGROUND

1. On December 21, 1989, the School Project for Utility Rate Reductions (SPURR) filed a petition for modification of Decision (D.) 86-12-010. SPURR proposed to permit core customers to aggregate their gas loads for purposes of purchasing transportation services from the utilities.
2. D.90-11-061 proposed rules for an experimental program which would permit core customers to aggregate their loads for purposes of purchasing transportation service from gas utilities. The Commission sought comments from the parties on the proposed rules.

3. On February 21, 1991, the Commission adopted D.91-02-040 which set forth final rules governing transportation-only service for core customers who aggregate their gas loads and purchase gas from sellers of their choice.

4. D.91-02-040 set the following schedule for gas utilities to implement the new gas procurement rules for core aggregators:

March 15, 1991.....Advice Letter filings  
August 1, 1991.....Full Implementation

5. D.91-02-040 set the following rules for core transportation services:

- The program is limited to 10% of total retail core requirements for each utility, excluding core demand by customers who qualify for transport-only services as single entities.
- Core customers aggregated volume should be a minimum of 250,000 therms per year.
- Open season will be held May 15, 1991 through July 1, 1991.
- Customers should make a one year commitment for transportation-only services.
- A deposit of \$10 per thousand cubic feet per day of capacity is required.
- Service Level 1 transportation should be provided to core-aggregated customers.
- Access to storage should be reserved for core customers in proportion to their share of total core demand.
- Access to pipeline capacity should be reserved for core customers in proportion to their share of total core demand, exclusive of the pipeline access for noncore customers under D.90-09-089.
- \$10 per decatherm of balancing and standby charges will be applied.
- Imbalance tradings should be allowed between core transportation customers and noncore transportation customers.

- A change of membership after 90 days' notice to the utility, provided the volume requirement is met after the membership change, should be allowed.

This three year experimental pilot program will begin on August 1, 1991. The Commission may consider under what conditions the program should continue or be expanded, during the third year of the program.

6. PG&E filed A.L. 1637-G on March 15, 1991. Southwest filed Advice Letter 427 on March 26, 1991.

#### NOTICE

Public notice of the above mentioned Advice Letters was made by publication in the Commission's Daily Calendar and by each respective utility mailing copies to other utilities, governmental agencies, to the service list of OIR 90-02-008, and to all interested parties who requested notification.

#### PROTESTS

Several parties filed protests or comments with the Commission Advisory and Compliance Division (CACD) to PG&E's A.L. 1637-G. No protests were received for Southwest's advice letter.

This Resolution only addresses PG&E's A.L. 1637-G and relative protests filed thereunder and Southwest's A.L. 427. PG&E's supplemental A.L. 1637-G-A and the corresponding protests will be addressed in a subsequent resolution.

1. SPURR filed a protest on April 2, 1991. PG&E responded on April 11, 1991.
2. R.M. Hairston Company (Hairston) filed a protest on April 2, 1991. PG&E responded on April 10, 1991. Hairston filed another letter on April 15, 1991, in response to PG&E's response. PG&E responded on April 21, 1991. Hairston filed yet another response on May 2, 1991.
3. Access Energy Corporation (Access) filed a late protest on April 29, 1991. Access filed its comments on utility implementation of Commission D.91-02-040 as a late protest as well as a Petition to modify D.91-02-040. PG&E responded on May 31, 1991.
4. DRA filed comments on April 19, 1991.

## DISCUSSION

### Use of Storage for Balancing

SPURR and Access argue that PG&E's proposed tariffs do not allow the use of storage for balancing services. SPURR believes that it is important for customers who have weather sensitive loads to be able to use storage for balancing purposes. SPURR is concerned that under PG&E's proposed tariffs, customers may have to pay imbalance penalties that could be avoided if they were allowed to use the storage. SPURR further states that the utilities often use their storage to balance their own core load requirement, and therefore they should be required to provide comparable service for their aggregated core transportation customers. Access requests that PG&E's tariff be modified to provide that imbalances may be offset through the imbalance trading mechanism or the use of storage.

Access also notes that the existing noncore storage program has certain nomination deadlines that conflict with the implementation dates. Access requests that during the first year of the program, core transportation customers be allowed to participate in the storage service without complying with other deadlines and related requirements.

PG&E states that it has limited storage as compared to SoCal and the Commission is aware of this storage constraint. PG&E believes that its proposed Balancing Service for Transportation Customers, Schedule G-BAL, A.L. 1637-G-A, will provide operational balancing services, by utilizing a limited amount of storage flexibility, line pack and draft in the pipelines, and will allow nomination changes in flexible negotiated supply contracts. PG&E states that its storage injection compressors operate at a maximum rate during the entire summer season and it has no additional flexibility to provide balancing services beyond the 10% tolerance band, as proposed in Schedule G-BAL, A.L. 1637-G-A.

Southwest's proposed tariffs do not address pro rata storage access reserved for core customers.

### Discussion:

CACD agrees with PG&E that PG&E does not have the same storage capabilities as SoCal and therefore can not offer the same flexibility as SoCal has offered in its tariffs for injection of gas. PG&E currently has physical limitations on its storage system and hopes to expand its storage capabilities in the near future. D.91-02-040, Rule 8, ordered the utilities to provide access to storage capacity to core aggregation customers in proportion to their share of total core demand. Core aggregation

transportation rates include the cost of storage. Therefore core aggregation customers should have access to their pro rata share of storage. PG&E should set aside 10% of its core planned storage for its core aggregation customers in order to provide equal access to storage between core aggregation customers and its own core customers. In addition, PG&E should revise its Banking Provision of its Core Aggregation tariff (Schedule G-CT) to reflect that for the first year of this program, the banking provision will begin August 1, 1991, and end March 31, 1992 and also to reflect that the monthly injection nominations are required for planning purposes only.

CACD will address the use of storage for imbalances after reviewing PG&E's A.L. 1637-G-A, Schedule G-Bal, in a subsequent resolution.

Southwest has not offered any storage mechanism to its core aggregation customers. Since Southwest customers' gas is reserved on PG&E's system, therefore, Southwest customers should be allowed to use the storage to offset their transportation imbalances. Southwest should reserve 10% storage on behalf of its core aggregation customers under its storage provided by PG&E in accordance with Rule 8 of D.91-02-040. Southwest core aggregation customers should have the option of signing up for this service under Southwest's agreement. Southwest should also provide details of injections, withdrawal, and use for imbalances in its tariffs.

#### Imbalances

Southwest's proposed Rule No. 22, Transportation of Customer-secured Natural Gas, part C. 4, 5, 6, and 7, and also part D. 1. a and b are not in compliance with D.90-09-089 and D.91-02-044, regarding treatment of imbalances and penalties applied. Southwest has interpreted the imbalances to be 95% of the customer's daily receipt for any month. In addition, Southwest requires the trading of imbalances to have taken place prior to the end of the daily or monthly period. Southwest should notify the customers of their imbalances prior to any imbalance tradings. Southwest requires the customers' daily deliveries to be a uniform daily rate. This is not a reasonable requirement. A customer's daily deliveries should remain within the nominated volumes and is based on the historical use. Southwest's requirement on payment of imbalance penalties is based on the above requirement and therefore should be modified.

Southwest should revise its proposed Rule No. 22 accordingly.

Minimum Average Rate Limiter for Mobile Home Master Meter Customers

Hairston believes that the Minimum Average Rate Limiter (MARL) provision should not apply to Schedule G-T, for mobile home master meter customers who receive transportation service under Schedule G-CT. Hairston requests that the language in the G-T schedule be modified accordingly. Hairston notes that MARL was adopted in D.89-12-057 to ensure that the master meter customers bear at least the cost of the energy required to serve them, even if the master meter discount would result in a lower bill. Hairston concludes that since core transportation service customers will not receive commodity services from the utility, PG&E will not incur any energy costs related to G-CT service, and therefore should not recover the gas commodity cost through the MARL. Hairston therefore requests that MARL be eliminated for core transportation customers under the mobile home park schedule.

PG&E responds that there are residential customer-related charges, such as master-meter billing and secondary line services to the master meter, associated with transportation services. PG&E proposes that the minimum bill for Schedule G-CT, as applied to schedule G-T customers, should be PG&E's average customer cost less the part that was avoided through the master meter customer's service for submetered service. PG&E states that eliminating the MARL from Schedule G-T must be addressed in appropriate rate design proceedings, such as an ACAP.

Discussion:

Master meter customers who provide submetering to their tenants get a discount in their rates. This discount is based on the fact that the utilities do not incur certain distribution and customer costs when master meter customers provide submetering services to their tenants. To assure that the master meter customers bear at least the cost of the energy required to serve them, D.89-12-057 adopted the MARL. The purpose of the MARL was to observe the limitations of Public Utilities Code Section 739.5 (a), to assure that the discounts given to such customers do not exceed the utility's average cost of providing the comparable service. D.89-12-057 divided the utilities' product into two services, providing energy and arranging for the customer's access to the utility's system. When a master meter customer submeters its tenants, it replaces the utility in providing access to the utility system. It is this criterion that sets the limit for the master meter customers' discount. When the master meter customer purchases transportation-only service from the utility, it should not impose any commodity costs on the utility. The customer, therefore, should not be charged for these costs and the MARL should not apply.

The utility does incur certain other charges such as billing, providing balancing services, etc. The master meter customers should pay for these services. CACD recommends that until the next appropriate rate design procedure, PG&E should track the MARL charges for those master meter customers electing core aggregation in a separate tracking account. These costs should be addressed in the next Cost Allocation Proceeding. This tracking account mechanism should apply to Southwest, Southern California Gas Company (SoCal), and San Diego Gas and Electric Company (SDG&E) as well. On the other hand, if the customer purchases any gas from the utility, the MARL would apply and the customer should be charged the appropriate rate.

The Balancing Penalty of \$10 per decatherm

Access argues that PG&E's proposed tariffs suggest a \$10 per decatherm charge whenever a core transportation customer uses balancing services, while any core or noncore customer of PG&E is being curtailed. Access states that according to PG&E's tariffs this penalty applies even if the core transportation customers are within the 10% tolerance band of balancing. Access believes that this provision is unfair and should be modified to reflect that the penalty would only apply to core transportation customers who use balancing services while other Service Level 1 core customers are being curtailed.

PG&E responds that it has interpreted Rule 7 of D.91-02-040 to mean that when balancing and standby services are curtailed, core transportation customers relying on balancing service will not actually be curtailed, but will be subject to the \$10 per decatherm penalty. PG&E believes that this charge protects other core customers from increased gas cost resulting from unplanned short-term supply purchases that the utility incurs during the curtailment period to accommodate the core transportation customers relying on balancing services.

Discussion

The rules adopted by the Commission in Appendix A, page 3 of D.91-02-040 clearly set forth a \$10 per decatherm fee for core transportation customers that purchase utility balancing services during periods when balancing services to other customers are curtailed. The decision states that this fee will compensate for additional utility costs and risks associated with providing backup supplies. The decision further states that the balancing and standby services to core customers should provide the highest level of service reliability and priority ahead of all noncore and core subscription customers. Finally, the decision states that the imposition of these costs on core aggregators should prevent subsidies from remaining utility core customers.

CACD disagrees with Access' interpretation that the balancing charge only applies to core aggregators when service to Service Level 1 customers is curtailed. CACD also disagrees with PG&E's interpretation of this rule, which would impose a balancing charge when any noncore balancing service is curtailed.

CACD recommends instead that balancing and standby charges be imposed on core aggregators only when any customers in Service Level 2 are curtailed. Under a single portfolio, balancing and standby services required by core aggregation customers will impose a gas cost on 1) other core (SL-1) and then 2) non-transportation, core subscription (SL-2) customers, because the utility must supply additional gas to meet their demands. In order to compensate the utility for these costs, but still allow core aggregation customers the gas they require, the penalties should apply when balancing services to Service Level 2 customers is curtailed.

In this way, core aggregation customers will be provided with the highest reliability, while at the same time, they will not be subsidized with gas by the utility core and core subscription customers. CACD recommends that PG&E and Southwest revise their tariffs accordingly to state that when balancing services for Service Level 2 (SL-2) customers are curtailed, standby penalties for core aggregation customers should then apply. In addition, the utilities' tariffs should include that this penalty only applies to those core aggregation customers whose imbalances are not within the 10% tolerance band.

#### Capacity Allocation

Access argues that PG&E's tariff may result in a higher priority to pipeline and receipt capacity for noncore transportation customers than core customers. Access believes that the core transportation customers should have the same right as the utility's own core customers to the LDC's (Local Distribution Companies) pipeline capacity.

#### Discussion

This issue was not addressed in PG&E's A.L. 1637-G. Access' protest is based on information obtained from a meeting with PG&E. CACD will defer the discussion of this issue until the subsequent resolution.

#### Creditworthiness

Access is concerned about the lack of creditworthiness requirement and request that PG&E provide details on its creditworthiness standards.



Discussion

PG&E's tariffs lack creditworthiness standards. CACD will review PG&E's proposed standards included in A.L.1637-G-A in the subsequent resolution.

Southwest should also provide details on creditworthiness standards.

Canadian Gas

Access states that it is currently negotiating with a Canadian gas producer which will be able to meet a substantial portion of the gas requirement for Access' core aggregated customers. Access also states that there is at least one other significant producer of Canadian gas capable of serving Access' core aggregated customers' load with non-Alberta and Southern Company (A&S) gas.

PG&E responds that under current Canadian energy rules, short-term export permits are unlikely to be granted or continued, and in addition removal of gas may be prohibited if the downstream arrangements have been changed from those that were originally formed under the permit. PG&E concludes that until there is an "access agreement" for core transportation customers similar to what was agreed on for noncore customers, there is uncertainty in the flow of any firm gas supply from a third-party supplier in Canada.

Discussion

Provision for access to Canadian gas was not addressed in PG&E's A.L. 1637-G. PG&E's supplemental filing, A.L. 1637-G-A, addresses this issue. CACD will defer the discussion of this issue until the subsequent resolution.

Program Documents

Access notes that the utilities' tariffs are incomplete, and is concerned that this delay would affect the open season. Access requests that the Commission direct the utilities to hasten its review in order to give the pilot program a fair opportunity to succeed by the implementation date of August 1, 1991.

PG&E responds that it has been acting diligently to put forward a program that can and will work, while at the same time providing reasonable protection to all ratepayers.

Discussion:

CACD has received PG&E's supplemental filings and believes that additional filings will be necessary by PG&E to include the findings and recommendations herein.

Pricing System

PG&E and Southwest have included a rate component to cover the over-and undercollections in the Purchased Gas Account.

Discussion:

D.91-02-040 states that :

" we will amend our rules to provide that rates to core transport customers will, in the first year, include a component for balancing account imbalances, including transition cost. Similarly, rates for customers returning to utility procurement services will not include the positive or negative imbalances for the prior year when they were transportation-only customers. These provisions will discourage uneconomic bypass by core customers, and will assure that other core customers are not liable for costs incurred by core transportation customers."

Also, this provision will assure that core customers can not avoid the full cost of past gas service.

PG&E and Southwest have proposed to add a rate component to cover this cost. However, neither utility has included this rate component in the Preliminary Statement. CACD recommends that this rate component appear under each utilities' Preliminary Statement, as a subaccount under the Purchased Gas Account, explaining that it applies to core aggregation customers only, and identifying the interest it will earn.

Required Customer Notices.

Public Utilities Code Section 454(a) states that whenever a gas utility files an application to change its rates it shall furnish to the customer notice of its proposed change. Gas utilities are presently required to notify all customers within 45 days of any request to increase charges for services by Advice Letter. (Rules of Practice and Procedure, Rule 24). In addition, they are required to include in customer billings the units of gas consumed, the actual meter readings at the open and close of the billing cycle and the basis of computation of the bill (Commission General Order 58-A, paragraph 19). The Commission, from time to time, often orders the utilities to make other informational or safety notices to its customers.

Core customers whose load is aggregated by a third party aggregator, may be billed directly by the aggregator for both the commodity costs and transportation charge from the utility. It is uncertain how these customers will obtain their utility notices, since the aggregator will handle the billing. One option is to require the utilities to provide the insert material to the

aggregator to include in the bill sent to the customers. This seems inefficient and uncertain. A second option would be to have the utility continue to mail the notices directly to the end-use customer. CACD recommends the second option.

CACD notes that the utility will still read the meters and must "flag" data to be segregated and provided by account number to the aggregator. The utilities should have the discretion to send either only the notices or a "dummy bill" through their automated billing systems. The utility billing could read "VOID", "No Balance Due", or some other disclaimer indicating that the aggregator will be billing them.

CACD further notes that the existing base rates for the utilities already include allowances for the costs of inserts, postage and the processing of a normal bill. In the future, the companies may wish to seek incremental cost recovery but CACD sees no significant costs to them at this time. CACD recommends that the utilities send monthly "inserts" and dummy bills to the core aggregated, end-use customer to insure proper notice of utility-proposed changes and customer usage.

#### FINDINGS OF FACT

1. PG&E's tariffs do not allow core aggregators the use of storage for imbalance services.
2. PG&E has storage limitations and its system is less flexible than SoCal's in accepting banking deliveries.
3. Southwest's proposed tariffs fail to provide access to storage for core transportation customers.
4. Southwest's proposed tariffs are not in compliance with D.90-09-089 and D.91-02-040 regarding the treatment of imbalances.
5. The MARL was established to assure that master meter customers at least bear the cost of energy delivered to them.
6. PG&E's tariffs require a \$10 per decatherm of penalty whenever a core transport customer uses balancing services while any of PG&E's customers are curtailed (core or noncore).
7. PG&E's A.L. 1637-G does not address capacity allocation for core aggregation customers.
8. PG&E's and Southwest's tariffs lack a creditworthiness requirement.
9. PG&E's tariffs do not address access to Canadian gas.

10. PG&E's and Southwest's tariffs do not show the appropriate rate component for the over-and-undercollections in the gas commodity balancing account.
11. Core customers whose load is aggregated by a third party aggregator, may be billed directly by the aggregator for both the commodity costs and transportation charge from the utility.

#### CONCLUSIONS

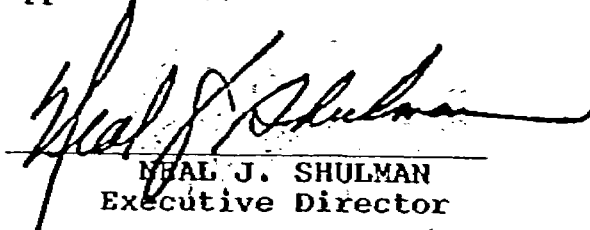
1. PG&E should provide to its core transportation customers access to 10% of the total core planned storage.
2. Southwest should obtain access to storage on behalf of its core transportation customers on PG&E's system.
3. Southwest should modify its Rule No. 22, Transportation of Customer-Secured Natural Gas, Part C.4,5, and 6 to comply with D.90-09-089 and D.91-02-040.
4. PG&E should establish a tracking account to note the charges associated with the MARL for core transportation customers under a master meter.
5. The Commission should address the tracking account for the MARL charges in the next rate design proceeding.
6. Southwest, SoCal, and SDG&E should provide the same type of tracking account for the MARL charges as well.
7. PG&E should modify its tariffs to reflect that when balancing services for SL-2 customers are curtailed, standby penalties for core aggregation customers will then apply.
8. PG&E should indicate that the standby penalty only applies to those core aggregation customers whose imbalances are not within the 10% tolerance band.
9. PG&E and Southwest should provide creditworthiness standards in their tariffs.
10. PG&E and Southwest should include the rate component for over and undercollections in their Preliminary Statement with explanation that it applies to core transportation customers only and it will earn interest.
11. The utilities should send monthly "inserts" and dummy bills to the core aggregated, end-use customer to insure proper notice of utility-proposed changes and customer usage.

**THEREFORE, IT IS ORDERED that:**

1. Pacific Gas and Electric Company shall file 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.
2. Southwest Gas Corporation shall file 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. Pacific Gas and Electric Company and Southwest Gas Corporation shall file revised advice letter and tariffs within five business days from the effective date of this resolution.
4. Pacific Gas and Electric Advice Letter 1637-G and its accompanying tariff sheets shall be marked to show that they were supplemented.
5. Southwest Gas Corporation Advice Letter 427 and its accompanying tariff sheets shall be marked to show that they were supplemented.
6. PG&E, Southwest, SoCal, and SDG&E should comply with the MARL requirement by providing a tracking account to track the MARL charges for master meter customers electing core aggregation.
7. This Interim Resolution is effective today.

I hereby certify that this Interim 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