PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2957
July 24, 1991

R E S O L U T I O N

RESOLUTION G-2957. SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) AND SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E) SUBMIT SUPPLEMENTAL PROPOSED EXPERIMENTAL TARIFFS AND RULES IN COMPLIANCE WITH DECISION 91-02-040 FOR CORE AGGREGATION UNDER ORDERS INSTITUTING RULEMAKING 86-06-006 AND 90-02-008.

BY SOCAL ADVICE LETTERS 2022-A, 2050, AND 2051, FILED ON JUNE 7, 1991 AND SDG&E ADVICE LETTER 748-G-A, FILED ON MAY 24, 1991.

SUMMARY

This Resolution conditionally approves the advice letters identified, with modifications. It also:

-Deletes tariff references to future capacity brokering rules and procedures because the rules and procedures on capacity brokering have not been rendered under R.88-08-018.

-Adopts SoCal's computer-nomination program and honors SoCal's request to backfill on the day before the gas flows on an interim basis, with both conditions subject to review, audit, and a limited-scope proceeding.

-Requires that SoCal provide summary statistics about daily flows and any near-term projections on its bulletin board on an interim basis.

-Provides for the forfeiture of the capacity reservation deposit in proportion to the amount of capacity reduced.

BACKGROUND

1. On June 19, 1991, interim Resolution G-2955 ordered SoCal and SDG&E to file revised core aggregation filings in compliance with D.91-02-040 and interim Resolution G-2955.

2. Per interim Resolution G-2955, this is the subsequent resolution addressing the protests to SoCal's and SDG&E's supplemental filings to core aggregation.

3. On June 7, 1991, SoCal submitted Advice Letter (A.L.) 2051 (Rule 32, Transportation of Aggregated Service Level 1 Customer-Owned Natural Gas), to file proposed terms and conditions for a core aggregator, an agent of a core aggregation group. This filing was to clarify and expand the proposed procedures set forth in SoCal's A.L. 2022 and supplemental A.L. 2022-A for core aggregation.

4. On June 7, 1991, SoCal submitted A.L. 2050 to file the contract documents for its core aggregation and targeted sales programs.

5. On May 24, 1991, SDG&E submitted supplemental A.L. 748-G-A for its core aggregation program

6. The core aggregation program is an experimental program which will begin on August 1, 1991. After the third year of the program, the Commission may consider under what conditions the program should continue.

NOTICE

1. Public notice of the above mentioned advice letters was made by each respective utility mailing copies to other utilities, governmental agencies, to the service list of OIR 86-06-006 and OIR 90-02-008, and to all interested parties who requested notification.

PROTESTS

1. Protests to SDG&E's A.L. 748-G-A were filed by gas marketers Access Energy Corporation (Access) and Broad Street Oil and Gas Company (Broad Street) on June 13, 1991. SDG&E filed a separate response to each protest on June 25, 1991.

2. Protests to SoCal's A.L. 2022-A, A.L. 2050, and A.L. 2051 were filed by Access Energy Corporation, SunPacific Energy Management, Inc., GasMark, Inc. and GasMark West, Inc. (Sunrise/GasMark) on June 27, 1991. Broad Street filed a protest to SoCal's A.L. 2051 on June 27, 1991. SoCal filed a response to Broad Street's and Sunrise/GasMark's protest on July 10, 1991.

DISCUSSION

Transportation Issues

Targeted Sales Program

Sunrise/GasMark object to SoCal's proposed Rule 32 that subjects the aggregator's participation in capacity brokering to the same rules applicable to noncore participants. Sunrise/GasMark consider this improper because core transportation customers are entitled to a portion of the firm interstate capacity that is reserved for core customers. Sunrise/GasMark assert that capacity brokering should only apply to core transportation if a core transportation customer or its aggregator requires in excess of the customer's proportionate share of the firm capacity reserved for the core.

Discussion: SoCal did not respond to this issue, but the Commission Advisory and Compliance Division (CACD) has reviewed the proposed Rule 32 and finds that it is consistent with D.91-02-040. The decision states that the individual core end-users or groups of core end-users shall be able to participate in any future capacity brokering program, and that their participation shall be governed by the same rules and procedures applicable to noncore participants in that program.

SoCal's proposed tariff quotes the language from the decision in the body of its tariff. Although the core aggregation decision makes this statement, the rules and procedures applicable to the core and noncore participants may not be the same in the decision emanating from R.88-08-018. Because a decision in R.88-08-018 has not been rendered, and in the interest of goodwill, CACD suggests that SoCal delete the portion of this statement referencing that core customer's participation shall be governed by the same rules and procedures applicable to noncore participants.

Interstate Pipeline Capacity

SoCal's proposed Rule 32 states that "interstate pipeline capacity available for aggregators under the G-TARG (Targeted Natural Gas Sales to Transportation Customers) program shall be 10% of the utility's reserved core capacity." Sunrise/GasMark submit that this provision is vague because there is no specific access apportioned by supply basin, and there is no description of how aggregators or core transport customers may shift from one supply basin to another from one month to the next. Sunrise/GasMark propose that aggregators and/or core transport customers should have the same flexibility as the utility to

obtain more or less of their gas supplies from a particular supply basin in a particular month.

SoCal replies that it does not object to Sunrise/GasMark proposal to obtain access to specific supply basins. SoCal would allocate interstate pipeline capacity on a pro rata basis between the core and noncore markets, and core aggregators would be allowed to specify the receipt points from the different supply basins. But like SoCal, core aggregators must specify the receipt points on a monthly basis.

To comply with the noncore procurement decisions, D.90-09-089, et al, SoCal explains that it must organize access to the interstate pipeline system so that Service Level 2 customers may be able to transport their gas volumes on a firm basis. Like SoCal, core aggregators will be able to pick specific monthly pipeline routes for their gas.

Discussion: SoCal would allow core aggregators to specify the receipt points from the different supply basins on a monthly basis. According to SoCal, this is the same procedure that applies to SoCal's operation. SoCal explains that it would also provide core aggregators with their proportionate share of the access to the supply basins reserved for core customers.

D.91-02-040 provides that core transport customers be given transmission access equivalent to the access given to core procurement customers. The decision also provides that the core transport customers are entitled to a pro rata access to the interstate pipeline capacity in addition to the capacity for noncore transportation service. Core transport customer's access to interstate pipeline capacity should be equal to the utility's and in proportion to their share of total core demand, exclusive of the pipeline access for noncore transport customers.

CACD believes that it is reasonable to expect SoCal to accommodate monthly nomination changes for access to particular supply basins. CACD notes that SoCal would also provide core aggregators with their proportionate share of the access to the supply basins reserved for core customers. Since Rule 32 does not reflect these two policies for core aggregators, CACD recommends that SoCal incorporate them under its description of targeted sales, as well as under the proposed Schedule G-TARG for targeted sales for clarification.

Nomination Flexibility

SoCal's proposed tariff provides that nominations for core transportation volumes must be based on weather forecasts and historical volumes, and must be made in advance of the date of

consumption. SoCal's G-TARG program (A.L. 2028-A) and Rule 30 (A.L. 2022-A) require monthly nominations to be submitted either five days (Transwestern) or six days (El Paso) prior to the first day of the month. Daily nominations are due three days in advance. SoCal's nominations for its bundled core sales are not so restricted and SoCal is able to adjust its nominations for its core sales customers up or down on the day before the gas flows. Sunrise/GasMark submit that aggregators must have the same flexibility that SoCal has in nominating gas supplies for its core portfolio on a monthly or a daily basis.

SoCal replies that it purchases core portfolio gas supplies on a monthly basis, not on a daily basis, and uses its storage facilities to make up for fluctuations in demand. SoCal explains that core aggregators will also be allowed to do the same in their gas purchases, using storage similarly.

Discussion: SoCal explains that its core portfolio purchases are done on a monthly basis, and that it uses its storage gas to meet demand changes. Sunrise/GasMark object to SoCal's changes in monthly and daily nominations, as well as its ability to adjust its own daily nominations one day in advance of deliveries.

In conjunction with implementation of an electronic bulletin board use for trading imbalances, SoCal has also introduced a computerized nomination system for transporters. As a consequence of the computer-nomination program GasSelect, and per SoCal, due to the changes required by the procurement decision's implementation, SoCal has changed past procedures. Monthly nominations have increased from two days to four days on the El Paso system and to five days on the Transwestern system. Daily nominations and adjustments have increased from two days to three days for all transport customers. If a customer communicates by facsimile instead of the computer-nomination program, another day must be added.

Standard nominations on the interstate pipelines have been two days in advance of the month and two days in advance of daily deliveries. SoCal has modified the two-day rule to accommodate the expected increase in individual nominations and the additional information needed to implement the gas sequencing required for the various service levels. PG&E has not imposed such a nomination requirement, but PG&E is not also introducing an electronic nomination system.

CACD requested SoCal to explain why it required the additional time for customer monthly and daily nominations. SoCal replied in a written response that the use of the interactive computer program, or manual entries for customers participating without a computer, will require transaction entries and validation, and

iterations to accommodate entry error reconciliations, transaction incompatibilities, and reentries.

SoCal's implementation of a computerized nomination system is elongating the nomination process for transportation customers. This is counterintuitive. CACD believes that the use of an electronic nomination system should enhance nominations, not impede them.

Moreover, the effect of the nomination changes made by SoCal amount to gerrymandering or skewing the procurement market, especially at the onset of each month. When all other consumers in PG&E's territory or out-of-state transporters confirm nominations two days in advance, SoCal's end-users are disadvantaged, having to pay the price of nominating two and three days in advance of everyone else. Meanwhile, SoCal does not state when it will require its own gas department to nominate.

In addition, SoCal requests reservation of the right to use the single day, El Paso notice to backfill behind all of the nominations. In its written response to CACD, SoCal explains what happens on the El Paso system one day prior to the flow of customer's gas:

> "On Day 4 (1 day prior to flow date) SoCalGas contacts El Paso pipeline regarding scheduled volumes. SoCalGas still retains the right on El Paso pipeline to fill-in behind any interruptible or Targeted Sales shorftfalls with discretionary purchases should capacity become available".

SoCal may have notice from El Paso that some nomination space remains unfilled or that some delivery may not be made. In such cases, it is prudent for the utility to make any adjustments it can to optimize capacity use. It is this day which Sunrise/GasMark want to be able to have the same ability SoCal has to backfill behind scheduled nominations. CACD cannot confirm if SoCal's "discretionary purchases" refer to core portfolio gas, storage gas, backup supplies, or some combination of the three.

SoCal has not shown that the changes in the monthly or the daily nomination processes from two day's advance notice is warranted. SoCal has also not shown that it is reasonable to reserve backfill adjustments solely to itself. No other party protested these changes to Rule 30, which initially were inserted into SoCal's supplemental noncore procurement filing on May 30; only Sunrise/GasMark raised the issues in protest to the core aggregation program.

It is too near the implementation date to call whether these actions are required or not. CACD would prefer to recommend

that SoCal not change its current nomination procedures at this time, but instead return to the Commission after three months to request a change from the current Rule 30 Transportation tariff for nomination changes to a longer lead time if difficulties have arisen. In addition, CACD would prefer to see SoCal offer backfilling to customers on an as available basis.

However, to SoCal's credit, it has taken the initiative to create an interactive computer program to ease the complexities of nominations. It is far too late to cancel use of the program at this time. Therefore, CACD recommends that the Commission adopt implementation of the computer-nomination program and that it also honor SoCal's request to backfill on the day before gas flows on the system on an interim basis, with both conditions subject to review, audit, and a limited-scope proceeding. Both SoCal and transporters need time to adjust to all the transportation changes, for it is difficult to predict what will occur after August 1. The noncore procurement and core aggregation programs will be more difficult to administer than either what SoCal has done in the past or what is expected under capacity brokering. All parties will need the best tools available to ease the transitions.

Daily Contract Quantity/Maximum Daily Quantity

Sunrise/GasMark object to SoCal's proposed daily contract quantity (DCQ) that would limit aggregator's nominations to 105% in the summer months and 130% in the winter months. In their view, these are the same restrictions imposed upon noncore customers under SoCal's proposed Rule 30 and should not be imposed upon core customers.

In this connection, Sunrise/GasMark also object to:

(1) SoCal's A.L. 2051, Core Aggregation Service Agreement (Article I, Section 1.2.3), which limits the nominations for Service Level 1 transportation services to the MDQ, and is inconsistent with SoCal's Rule 1, which limits nominations to the DCQ; and

(2) SoCal's A.L. 2051, Marketer/Aggregator Contract (Article I, Section 1.2), which limits the aggregator's transportation capacity to the total cumulative MDQ, and fails to account for gas to be injected into storage.

Broad Street objects to SoCal's DCQ and SDG&E's maximum daily quantity (MDQ). Broad Street believes that SDG&E's 110% tolerance is low for the winter months while SoCal's 105% summer tolerance is too small and less than the 10% tolerance band for imbalances.

SoCal replies that Sunrise/GasMark is confusing MDQ's and DCQ's. SoCal's Core Aggregation Service Agreement defines the MDQ as 105% of the DCQ for summer (Summer MDQ = 105 x DCQ), and 130% of the DCQ for winter(Winter MDQ = 105% x DCQ). Therefore, the core aggregator is allowed to nominate in excess of its DCQ and there is no inconsistency on SoCal's filing.

SoCal explains that the calculation of its MDQ's gives latitude over the customers' expected daily usage. Since core aggregators will have different types of customers, it would be easier for aggregators to keep a combined load within these limits for it is not anticipated that all customers will experience peak usage at the same time. With regards to storage capacity, the aggregators have the ability to use the additional 5% in the summer and the additional 30% in the winter. SoCal states that it provides no additional space for its own summer core storage and 25% for its own winter core storage. SoCal points out that aggregators would even have less flexibility if it wants equal treatment with SoCal's core customers.

SDG&E replies that it believes that its 110% (of recorded seasonal peak day demand) MDQ is sufficient tolerance to meet customers' full demands in the summer or winter season. Since SDG&E bases its MDQ on seasonal peak-day usage, SDG&E believes that there is no reason for a higher MDQ. SDG&E will not refuse a legitimate customer request for a new MDQ, but it will not allow customers to abuse the nomination/delivery system to the possible detriment of other customers.

Discussion: Contrary to Sunrise/GasMark's view, SoCal has not imposed the same nomination restriction on core aggregator's loads as it has for noncore customers. SoCal's daily contract quantity is based on an annual, historical average of use per customer. SoCal's varying calculation of 105% during the summer months and 130% during the winter months does offer greater flexibility to core aggregators over both noncore customers and SoCal's core operations.

As SoCal points out, not all customers will experience peak usage at the same time, so that an aggregator, with some varying combination of residential and small commercial loads, should experience offsetting demands. SoCal has allowed core aggregators 5% tolerance above its own core operations year round. This tolerance plus the 10% tolerance band above and below imbalances should offer core aggregators sufficient flexibility.

SDG&E has provided even greater flexibility to aggregators, with its calculation of 110% of seasonal peak day usage. Again, with another 10% tolerance band above and below this amount for imbalances, core aggregators should have reasonable flexibility. Both utilities know their customers, climate conditions, and

their system operations. CACD must rely on both utilities' offered tolerances as being based on expected, annual operational requirements. CACD recommends no changes to these tolerances at this time.

Electronic Bulletin Board

Sunrise/GasMark propose that SoCal be required to provide current and projected system gas flow information through SoCal's electronic bulletin board. Aggregators should be allowed to use this information to coordinate supply deliveries with system conditions.

SoCal replies that the current and projected system gas flow information is voluminous and the provision of such information in SoCal's electronic bulletin board would not be helpful to the aggregators. Instead, SoCal suggests the use of its GasSelect system which will provide bulletins on interstate outages and curtailment events. SoCal believes that the information on interstate outages and curtailments is all an aggregator should need.

Discussion: SoCal's electronic bulletin board will enable brokers, marketers, shippers, suppliers, and customers to post and access information concerning gas volumes available for purchase and/or sales and access industry information.

SoCal should welcome Sunrise/GasMark's request for system flow information. SoCal should provide any aggregator's request for gas flow information, at least summary information by pipeline and basin on the interstate system and at SoCal receipt points. Transportation customers need to plan procurement strategies and require such information to plan what counterstrategies can be made to assure deliveries and maintain balances. It is sensible for SoCal to provide as much information about the system status as possible to ensure transporting customers' performance and to optimize capacity.

If SoCal believes that this information will be voluminous for its electronic bulletin board, then it should provide summary information, at least on a daily basis for transporter's use. CACD recommends that SoCal provide summary statistics about system daily flows and any near-term projections on its bulletin board on an interim basis. If warranted, such information could be programmed into the GasSelect system.

Evidence Satisfactory to the Utility

Sunrise/GasMark questions SoCal's proposed Rule 32 that requires evidence satisfactory to the utility "that supply arrangements

are agreed upon by all parties." SoCal does not define what constitutes satisfactory evidence. Sunrise/GasMark point out that aggregators should not be required to provide SoCal with price information in supplier contracts, but should only have to provide the volumes and receipt points into the interstate pipeline system.

SoCal replies that it wants a sufficient confirmation of the existence of contracts between the aggregator and end-use customers, and between the aggregator and the supplier. SoCal states that it is not requiring the price information in any documentation providing this confirmation.

Discussion: Price information concerning the gas contracted by the aggregator from its supplier is confidential. SoCal is not requiring aggregators to provide this information, however, it is unclear what information will prove satisfactory, since it is not defined in the rule. CACD recommends that SoCal clearly state in its tariffs the satisfactory evidence that it will accept from the aggregators to support the existence of contracts between the aggregators, its end-use customers, and its suppliers.

Imbalance Charges

Sunrise/GasMark protest SoCal's Rule 32 (under Billing) which provides that the customer is not responsible for the aggregator's imbalance charges in the event of a default by the aggregator. The customer should be ultimately responsible for all charges imposed by the utility for transportation or supply-related service.

SoCal replies that Sunrise/GasMark is asking for a modification of D.91-02-040 (Appendix A, page 2, Item 3), which clearly states that imbalance charges will be the aggregator's responsibility. SoCal states that Sunrise/GasMark should have filed a petition for modification, not a protest to an advice letter filing, to request for a change in a Commission decision.

Discussion: D.91-02-040 (Appendix A, page 2) clearly states that imbalance charges will be the responsibility of the customer agents. Ultimately, end-users shall be responsible for all utility charges except those pertaining to imbalance charges. SoCal's tariff is consistent with D.91-02-040.

Split Loads

Sunrise/GasMark agree with SoCal's tariff that the split of loads between procurement from the utility and from an aggregator is consistent with D.91-02-040. But, according to

Sunrise/GasMark, this procedure imposes a "disproportionate" burden on aggregators when there is an imbalance at the end of the month:

> "If, for example, a customer estimates its total gas purchases for a month and splits its purchases equally between the utility and the aggregator, and if the customer only consumes one-half of its estimate, the entire burden for the imbalance is imposed upon the aggregator. This is the case even if the aggregator delivered to the California border the exact amount of gas requested by the customer".

Sunrise/GasMark explain that, although D.91-02-040 provides that imbalances shall be the aggregator's responsibility, it is unfair to have the aggregator bear the full burden for an imbalance that is attributable to procurement from both the utility and the aggregator. Therefore, for "split loads", gas should flow through the meter on a proportionate basis between sales and transportation gas.

SoCal replies that Sunrise/GasMark had since February 1991 to petition for a modification of the "split load" provision of D.91-02-040 and chose not do so. SoCal states that protests to advice letter filings are used to cite utility tariffs' non-compliance with a Commission decision, not to request for a decision modification.

SoCal also replies that the aggregator's imbalance penalty resulting from the variance in customers' usage is a problem between the aggregator and the customer. It makes no difference to the utility what caused the imbalance.

SoCal adds that it would be administratively impossible for SoCal to revise its billing system effective August 1 service "on a proportionate basis between sales and transportation gas," as proposed by Sunrise/GasMark.

Discussion: D.91-02-040 requires core customers nominating portions of their loads to specify monthly gas purchases from the utilities, which would be counted as the first volumes through each customer's meter. CACD was able to poll the utilities on how many core aggregation customers have elected to split their procurement loads. To date, SoCal is the only utility having such customers and the incidence is small.

While it appears unfair to have the aggregator bear the full imbalance penalty for an imbalance that may not be totally attributable to the aggregator, D.91-02-040 clearly states that imbalances are the aggregator's responsibility. Without a Commission action to modify that order, this policy cannot be altered.

Imbalance Services

Sunrise/GasMark protest SoCal's tariff (Rule 32, paragraph I), which provides an imbalance tolerance of 10% to core transport customers. Sunrise/GasMark state that this is the same imbalance tolerance for noncore transport customers. Sunrise/GasMark argue that the balancing standard for core and noncore transport customers must not be the same due to the difference in their type of load and due to the absolute flexibility afforded to core sales customers. In this connection, Sunrise/GasMark also protest SoCal's A.L. 2051, Marketer/Aggregator Contract (Article V), which subjects the aggregator to the same balancing and storage banking rules that apply to noncore customers and their marketer/supplier.

Sunrise/GasMark argue that core customers' loads are extremely temperature-sensitive, and therefore, an accurate balance can not be achieved, remarking that even SoCal is unable to balance its core loads on a day-to-day or monthly basis. Sunrise/GasMark further argue that the aggregated core transportation is a pilot program, and balancing for core customers has never been done on a formal basis.

SoCal replies that D.91-02-040 recognized that core transport customers are not in the same position as utility core sales customers, and therefore, making a distinction between these two types of customers is appropriate. For negative imbalances, SoCal states that it will have to provide backup service through the purchase of gas which would be more expensive than its average procurement costs. SoCal argues that core aggregators should, therefore, be in balance over a monthly period to avoid SoCal's increased cost of operation. SoCal states that the 10% (positive or negative) imbalance tolerance plus the 5% procurement tolerance should provide core aggregators with sufficient flexibility in purchasing gas for its core customers.

Discussion: D.90-11-061 provides that core-transport customers' balancing service shall be on the same terms and conditions as noncore transport customers; D.91-02-040 also implies the same provision. Therefore, SoCal's tariff requiring an imbalance tolerance of 10% is consistent with the decision's intent.

Sunrise/GasMark argue for greater flexibility and SoCal has provided greater flexibility than it requires of its own operation for core balancing. The 5% tolerance provided to aggregators, in addition to the 10% imbalance tolerance and the cushion of SoCal providing backup supply if something goes wrong, does provide aggregators with additional flexibility over noncore transporters and over SoCal. CACD recommends no additional changes to SoCal's current provisions for imbalance services to core aggregators.

SDG&E Balancing Penalty

Access is uncertain of SDG&E's position on the $10/decatherm balancing penalty. SDG&E's reply to Access' protest/petition dated April 29, 1991 and its revised Rule 14 (under A.L. 740-G-B) state that the balancing penalty will apply when noncore customers are curtailed. However, SDG&E's Schedule GTCA (Natural Gas Transmission Service for Core Aggregation Customers), Standby Service Fee, states that the balancing penalty will apply when core customers are curtailed.

Further, Access requests that SDG&E's Schedule GTCA, Standby Service Fee, include not only the use of storage volumes to avoid the standby service fee, but that it should also include imbalance trading. Use of both will serve to keep the system in balance.

SDG&E replies that the issues concerning the $10 per decatherm balancing penalty and the use of storage gas to effect a trade are addressed in Resolution G-2955. SDG&E will revise its tariffs to show the changes as set forth in Resolution G-2955.

Discussion: While it is not clear to Access why SDG&E's reply to Access' protest/petition does not match its proposed tariffs for the balancing penalty, it is clear that SDG&E will apply the $10/decatherm balancing fee when all noncore gas service is fully curtailed. SDG&E should submit revised tariffs to comply with Resolution G-2955. CACD has no additional recommendations.

SoCal Balancing Penalty

Sunrise/GasMark support SoCal's proposed tariff which imposes the standby and balancing charge when standby service is curtailed to any other Service Level 1 customers. Sunrise/GasMark disagree with the Commission's interim Resolution G-2955 which imposes the balancing and standby charge when standby service is curtailed to Service Level 2 customers.

Although SoCal concurs with Sunrise/GasMark that core standby service is to be curtailed concurrently with that of Service Level 2 standby service, SoCal replies that Sunrise/GasMark is again objecting to a Commission decision in Resolution G-2955.

Discussion: Resolution G-2955 provides for the following:

- The balancing penalty applies when balancing services to Service Level 2 customers are curtailed;
- Imbalance trading and the use of storage gas should be used to eliminate or reduce imbalances; and

-Storage gas should be used to effect a trade.

The resolution ordered the utilities to amend their tariffs accordingly. CACD notes that SoCal's Rule 32, paragraph (N), incorrectly states that the balancing penalty applies when service to any other core customers is curtailed. SoCal should revise its tariff to read that balancing charges apply when standby service is curtailed to Service Level 2 customers.

Sunrise/GasMark may file a petition for modification of interim Resolution G-2955 to address the adopted imposition of standby and balancing charges when standby service is curtailed to Service Level 2 customers.

SDG&E Core Storage

Access points out that SDG&E's Schedule GTCA, Core Storage Allocation, does not detail the seasonal schedule of storage injections, withdrawals, and adjustments. Access is concerned with SDG&E's storage flexibility and requests that the aggregated-load core transporters' proportionate share of storage have the same storage schedules and injection and withdrawal flexibility available to SDG&E's core load.

Access also questions SDG&E's Schedule GTCA, Special Condition No. 19, which prohibits the use of core storage gas to effect a trade.

To comply with Resolution G-2955, SDG&E replies that it will revise its Schedule GTCA to include the details of its storage program for core aggregation and to state that core aggregation customers may use storage gas, if available, to effect an imbalance trade.

Discussion: CACD recommends that SDG&E revise both its core aggregation schedule to provide details of its storage program for core aggregators and its Schedule GSTORE to reflect these changes. SDG&E should also outline the conditions when storage gas may be used to effect an imbalance trade.

SoCal Core Storage

Sunrise/GasMark object to SoCal's proposed tariff that allows aggregators a total of one cycle of injection and withdrawal each year. Sunrise/GasMark point out that this is a rigid provision that fails to consider core transportation customers' need to inject or withdraw gas from storage during off-periods to satisfy imbalances or to make-up for prior underdeliveries into storage. Core transport-only customers should be able to use storage for balancing on a year-round basis.

Sunrise/GasMark submit that aggregators should have the same flexibility to use additional interstate capacity for the purpose of storage injections as is enjoyed by SoCal on behalf of its core sales customers.

SoCal replies that Sunrise/GasMark fail to understand that SoCal uses only one injection/withdrawal cycle for its core purchases. Socal follows a pattern of consistent injections up to November 1 of each year and a pattern of consistent withdrawals through May 1. SoCal seeks to ensure that core aggregators are limited to similar storage availability. SoCal notes that the Commission's provision for imbalance storage allows aggregators to either inject or withdraw gas in any given month. But such imbalances cannot be allownd by SoCal to be cycled continuously in and out of storage free of charge because this would render the Commission's balancing requirements meaningless. Through SoCal's one injection/withdrawal cycle, SoCal intends to limit the aggregator injection/withdrawal on a cumulative basis. SoCal agrees to revise its Rule 32 to further clarify its injection and withdrawal procedure.

SoCal's core transmission rate only includes the costs associated with a single cycle of injection and withdrawal. SoCal argues that if core aggregators are allowed to inject and withdraw gas at will, without reimbursing SoCal, the additional costs will not be recovered through the core transmission rate, and would initially be borne by SoCal's shareholders, and ultimately would be passed on to ratepayers. Accordingly, SoCal states that it is reasonable to limit core aggregators to a single injection/withdrawal cycle unless aggregators pay for the costs of additional injections and withdrawals through the use of SoCal's G-STOR program.

SoCal also explains that just as it cannot withdraw gas from storage if insufficient gas has been injected into storage, core aggregators should not be permitted to withdraw gas from storage unless aggregators have injected sufficient gas in storage. SoCal states that core aggregators will always be permitted to have the flexibility to adjust deliveries downward, but will be prohibited to adjust deliveries upward unless they have provided sufficient gas in storage.

Discussion: CACD requested that SoCal provide a description of one cycle of injections and withdrawals into storage. SoCal responded that one cycle referred to a cumulative injection into storage up to an aggregator's portion of core storage and a cumulative withdrawal of this storage over the year.

Sunrise/GasMark argue that the single cycle provision is rigid and fails to allow for imbalance trading or for make-up of prior underdeliveries to storage. SoCal states that this provision follows its own annual pattern of storage for the core and

follows the rate design incorporated in the core transmission rate. SoCal adds that if aggregators believe they need additional flexibility, the storage program will be available. CACD believes that no changes in SoCal's core aggregator storage provisions are required at this time, but that it should define its single cycle terminology in its tariffs.

Interruptibility by the Customer

SDG&E's Schedule GTCA, Special Condition No. 25 (Interruptibility by the Customer), requires a 30-day written notice prior to any customer action which would "significantly impact" the delivery of contracted gas volumes. Broad Street believes that this requirement is unreasonable considering the probable members of the core aggregation group. Broad Street adds that it is not clear what constitutes a "significant impact", and it would be difficult for customers to know 30 days in advance when their facilities might be required to shut down.

Broad Street is aware that significant changes in noncore loads may affect SDG&E. But this is not true of core customers who are part of the core aggregate groups and who may not have the ability or the advance knowledge to provide the 30-day written notice required by SDG&E's proposed tariff. Broad Street requests that SDG&E change its tariff accordingly and define the term "significant impact."

SDG&E replies that this provision was carried over from its previous tariffs and agrees to delete such provision from its Schedule GTCA.

Discussion: SDG&E's 30-day notice provision is an old condition required of transport customers to allow for scheduled maintenance of the customer's facilities. The utility needed the advance notice to plan system operations. CACD agrees with SDG&E that this provision is not applicable to core aggregators, and that it should be removed from the tariff.

Service Issues

Open Season

Broad Street points out that SoCal's and SDG&E's core aggregation tariff rules are too late since the open season ends on July 1. Broad Street argues that protests to SoCal's A.L. 2051 and SDG&E's A.L. 748-G-A need to be considered by the Commission, and any changes in SoCal's and SDG&E's tariffs may not even be published before the end of July 1 open season.

SDG&E replies that it recognizes the critical timing issue of the filing and approval of new core aggregation tariffs, but many issues need further clarification and resolution by the Commission.

Discussion: The Commission issued interim Resolutions G-2955 and G-2956 on June 19, 1991 because it was concerned with the timely filing of the new core aggregation tariffs before the end of the open season. Because specific issues and protests to the supplemental core aggregation filings have to be resolved, a subsequent Commission resolution is required. CACD is aware that there may be questions even after the program commences, and encourages the utilities and core aggregation customers to achieve a reasonable solution consistent with the guidelines of the aggregation decision and resolutions.

Changes in Membership

Access argues that SDG&E's Schedule GTCA, Special Condition No. 3, requires a 90-day written notice to the utility for membership increases and that Special Condition No. 5 (Open Nominating Season), also requires a 90-day advance notice for service requests after August 1, 1991. Access requests a reduction of SDG&E's service initiation to 30 days, because 30 days is more than adequate time to change a core customer account to a core-transportation only account.

Broad Street objects to SoCal's and SDG&E's proposed tariff which allows the addition and exchange of members after a 90-day notice to the utility. Broad Street argues that this is not consistent with the D.91-02-040 which provides for a 90-day restriction before an aggregating group may change membership. As an alternative, Broad Street suggests use of PG&E's procedure which allows additions to the core aggregate group, once a new member is qualified, effective as of the next meter reading after the completion of the necessary paperwork.

Sunrise/GasMark argue that aggregators should not have to wait for 90-days to remove a delinquent customer from a core aggregation group even though D.91-02-040 requires a 90-day notice for a group membership change. . Instead Sunrise/GasMark suggest a 30-day period to replace a delinquent customer whose loss will cause the group's total demand to decrease below the 250,000 therms per year. On the other hand, a 30-day written notice to the utility (in addition to other available remedies) will allow a customer's removal from the group.

SDG&E replies that it has taken the 90-day requirement directly from D.91-02-040, Appendix A, page 2.

SoCal replies that Sunrise/GasMark protest a requirement in D.91-02-040, and that the Commission should reject this attempt to use a protest to an advice letter filing in lieu of a petition for modification. SoCal states that it normally takes approximately six months before it can terminate a customer's service. Accordingly, it not unreasonable to require core aggregators to provide the utility a 90-day notice prior to the removal of a delinquent customer from the aggregator's group.

Discussion: D.91-02-040 gave core customers desiring utility-transport only services an opportunity to participate in the core aggregation program initially through an open season. After the open season, the core aggregation service will be open to all qualified customers until the 10% level of the total retail core requirement threshold is met. The requests for core transport service after the open season shall be processed on a first-come, first-served basis (FCFS). After August 1, 1991, when the core aggregation program is on operation, core aggregation groups may change their members following a 90-day notice to the utility, provided the total volume of 250,000 therms per year is satisfied. SoCal's and SDG&E's tariff requiring a 90-day notice for addition or deletion in the core aggregation's group is consistent with D.91-02-040. SDG&E's tariff requiring a 90-day notice for service requests after August 1, 1991 is not necessarily consistent with D.91-02-040. For service requests after the open season, D.91-02-040 only provides a FCFS processing. Therefore, upon completion of the necessary paperwork, core transport service can commence. CACD recommends that SDG&E's tariff be amended to state that requests for core aggregation service after August 1, 1991 shall be processed on a FCFS basis, and that core transport service will begin after qualification and completion of the necessary workpapers.

To remove a delinquent customer whose loss will cause the group's total to decrease below the 250,000 therms per year, SoCal proposes to give aggregators 90 days to replace a delinquent member. If the deficient load is not replaced, the aggregator will be allowed to remain in the program until the end of the one-year contract term. SoCal's proposal is consistent with D.91-02-040 and CACD recommends no additional changes.

Renewal of Service

Broad Street points out that SDG&E's Schedule GTCA, Special Condition No. 2 (Gas Service Agreement), requires a written renewal notice prior to the expiration contract from core aggregation customers. Broad Street argues that SDG&E's renewal notice is unnecessary and places the shipper at some risk for lapses of contract terms. Instead, Broad Street proposes the

adoption of PG&E's evergreen renewal term, which automatically continues participation in the core aggregation program unless otherwise notified by the customer. Broad Street adds that it will benefit the core shippers if utilities' tariffs are consistent.

SDG&E replies that it will revise its tariffs to allow for an automatic renewal of the customer's service agreement unless the customer provides SDG&E a 30-day advance notice of termination.

Discussion: D.91-02-040 does not address the issue of service renewal after each contract term. CACD notes that both PG&E and SoCal have an evergreen renewal term, which automatically continues customers' participation in the core aggregation program to the following term unless a discontinuance notice is sent to the utility. CACD believes Broad Street's request is reasonable and recommends SDG&E's tariff adopt an evergreen renewal term.

Acceptance to the Program

Broad Street believes that SoCal's proposed Rule 32 (A), 1. (Open Season), should be corrected to state that the "customers," and not aggregators, will be accepted into the program until the total core aggregation capacity is reached. Broad Street's proposed correction is consistent with the definitions proposed by SoCal's A.L. 2022 and 2022-A.

Discussion: D.91-02-040 basically provides core aggregation rules for core transport customers. Broad Street's request is reasonable. CACD recommends that SoCal revise its tariff to state that "customers" will be accepted to the core aggregation program until the 10% of the total retail core capacity requirement is reached.

Billing Issues

Deposit Fee for Reserving Capacity (Good Faith Deposit)

Broad Street protests SDG&E's Schedule GTCA, Special Condition No. 14 (Deposit Fee for Reserve Capacity), and SDG&E's Rule 7 (C), Deposits, which place the burden of the capacity reservation deposit on the aggregator. Broad Street argues that this is inconsistent with D.91-02-040, which provides that the core transport customers bear the $10 per thousand cubic feet per day deposit on capacity requested. Broad Street adds that an aggregator and a customer may choose to have the aggregator bear the cost, but that this is a decision between them. Broad

Street requests that SDG&E's tariff be amended to place the deposit payment responsibility on the customer.

Broad Street also protests SDG&E's Rule 7 (A), Deposits, which provides for the establishment of credit by depositing to the utility two months' estimated average monthly bill. Broad Street argues that this deposit is excessive, and that a customer's creditworthiness requirement for core aggregation makes the deposit unreasonable and unnecessary.

Sunrise/GasMark claim that SoCal should correct its tariff regarding the good faith deposit of $10 per thousand cubic feet per day, to state that it will be either credited to the customer's or aggregator's first bill, or refunded, within 180-days after the request for service.

SDG&E replies that it will revise its tariff to clarify that the capacity reservation deposit will be collected from the customers. SDG&E agrees with Broad Street that the determination of whether the aggregator or the customer bears the capacity reservation fee can be negotiated between the parties, but SDG&E's tariffs need not reflect such details.

SDG&E also replies that the provisions of Rule 7 (A), Deposits, are existing provisions that have been approved by the Commission. SDG&E explains that it only added a provision for core transportation deposit in compliance with D.91-02-040.

Discussion: D.91-02-040 provides that core transport customers shall be responsible for the $10 per thousand cubic feet per day deposit on capacity requested. The decision also provides for a deposit refund, with interest, if utility service is unavailable within 180 days. SDG&E's Schedule GTCA and Rule 7 should be revised to state that the core transport customers are responsible for the capacity reservation deposit. But SDG&E's tariff need not detail any capacity reservation deposit negotiations between the customer and the aggregator. SoCal's good faith deposit should be revised to state that the capacity reservation deposit may be credited to the customer's or aggregator's bill, or refunded, with interest, within 180 days if utility service is unavailable.

CACD agrees that the provisions of SDG&E's Rule 7 (A), Deposits, are existing provisions previously approved by the Commission, and that the additional provision for the core transportation deposit complies with D.91-02-040.

CACD notes that SoCal's tariff states that the good faith deposit of $10 per thousand cubic feet per day of capacity requested will be "forfeited either totally or in proportion to the amount of capacity that has been reduced". CACD notes that D.91-02-040 only provides for the forfeiture of deposits for

capacity reservations in general by customers who subsequently decline core aggregation service. CACD believes that it is reasonable for SoCal to include a partial forfeiture of customer's deposit, in addition to total deposit forfeiture, because the customer may deprive the utility from offering additional capacity to other customers when customers hold on to more capacity than they need. CACD notes that SDG&E's core aggregation manual also reflects a total or partial deposit forfeiture, but this provision is not reflected in SDG&E's tariff. CACD recommends that SoCal's tariff retain and SDG&E's tariff include the total and partial forfeiture of deposit provision.

Standard for Creditworthiness

SoCal's establishment of credit tariff would allow SoCal to terminate an aggregator's contract if SoCal determines that an aggregator's financial change has adversely affected its creditworthiness. Sunrise/GasMark point out that if SoCal can terminate a contract based on the aggregator's failure to meet a creditworthiness standard, then that standard should be stated.

SoCal explains that, if there has been a change in the aggregator's financial status, it intends to provide an aggregator an opportunity to continue participation in the program by either having the aggregator re-establish its line of credit or by limiting the extent of the aggregator's participation. But to the extent that an aggregator's creditworthiness is substantially diminished, SoCal would terminate the aggregator's contract immediately. SoCal adds that the aggregator can dispute SoCal's decision to terminate the contract by filing a complaint with the Commission.

Discussion: SoCal Rule 32, paragraph B.1. would allow SoCal to terminate an aggregator's contract if SoCal determines that the aggregator's financial situation has adversely changed the aggregator's creditworthiness. Sunrise/GasMark's request that SoCal state the financial standard that an aggregator has to meet. CACD notes that SoCal's reply to Sunrise/GasMark's request is inadequate. SoCal's reply fails to state the aggregator's financial condition which SoCal would consider below the standard. SoCal's tariff should state the financial standard aggregators must meet and the options available to the aggregator, depending upon the degree of financial change.

SoCal Security Deposit

Broad Street questions SoCal's Rule 32, which requires a security deposit in the amount of the daily contract quantity

times the average bundled core rate times sixty days. Broad Street agrees with the sixty-day period, but it disagrees with the use of a bundled rate which amounts to $0.596 per therm. Broad Street believes that this proposal should be rejected because it is an onerous requirement that would cause an unnecessary hardship to the aggregators.

Sunrise/GasMark comment that SoCal's proposed security deposit is excessive and should be limited to no more than one month's procurement charge at the core subscription price. Sunrise/GasMark argue that it is unnecessary and unreasonable to impose a security deposit in excess of one month because the utility has the recourse of terminating the aggregator for nonpayment. To ensure that the utility receives payment from the aggregator, Sunrise/GasMark suggest that customers could be required to pay into an escrow account during the time in which an aggregator's creditworthiness has not been confirmed. Sunrise/GasMark argue that an escrow account based on current revenues is more reasonable because there is no large amount of cash or credit outlay by an aggregator and held by the utility for an unspecified time.

Broad Street and Sunrise/GasMark also protest SoCal's proposed tariff to charge a $700 credit application fee to cover the cost of analyzing a potential aggregator's credit in lieu of a security deposit. This credit analysis shall be done by an outside agency. Broad Street and Sunrise/GasMark argue that this proposed fee has no basis.

SoCal explains that its requirement in the amount of the average bundle core rate times sixty days is consistent with SoCal's current Rule 7, which requires new customers to make a security deposit in the amount of two months of average use. SoCal argues that it is fair that the aggregator be subject to a similar deposit requirement since the aggregator is the customer's agent. SoCal states that the creditworthiness standards are necessary to protect SoCal's core customers who participate in the program from paying the cost of gas delivered twice. With this standard, SoCal wants to protect ratepayers from the defaulting aggregator.

SoCal replies that although the protestants allege that there is no specific authority for a credit application fee, the protestants fail to acknowledge that there is also no prohibition for SoCal providing this option. SoCal further states that the $700 fee accurately reflects the cost of an initial credit determination and a periodic reevaluation thereof. Since this fee accurately reflects the credit evaluation cost, the fee is reasonable and cannot be refunded to the aggregator.

Discussion: CACD notes that SoCal proposes to allow core aggregators to establish credit in two ways. First, the aggregator may establish a line of credit though completion of a a credit application that shall include financial information needed to establish the aggregator's line of credit. SoCal would require a $700 non-refundable credit application fee to cover the cost of initial credit determination and a periodic reevaluation thereof. The creditworthiness evaluation shall be conducted by an outside credit analysis agency and shall set the daily contract quantity (DCQ). The DCQ shall be the quantity of gas an aggregator requires for its core aggregation customers on a secured or unsecured basis. Second, the aggregator may submit a security deposit in lieu of the creditworthiness evaluation. The security deposit may be in the following forms: cash deposit, guarantees, letters of credit, or surety bonds.

Whichever way the aggregator chooses, the amount of security deposit or credit limit must equal sixty days of the daily contract quantity (DCQ) at the average bundled core rate. The average bundled core rate is the twelve-month average core-subscription, weighted average cost of gas (WACOG) plus the average core transmission rate. The requirement of the average bundled core rate for sixty days is consistent with SoCal's Rule 7, Deposits, which requires residential and non-residential new customers to deposit an amount equal to two months of average use.

CACD notes that the creditworthiness standard is not addressed in D.91-02-040. The utility's purpose for this requirement is to ensure the payment of gas purchased and delivered by the utility due to the aggregator's failure to deliver the contracted core aggregation group's gas load. This requirement is consistent with the utility's new customers' deposit (Rule 7) requirement to establish credit, which requires a deposit equal to two months average use. This creditworthiness requirement would also protect the core transport customers from "double" payment of gas. In the event of aggregator's failure to deliver the contracted gas, the utility has the responsibility of purchasing (and also charging) gas for the core transport customers. Most likely, the core transport customers will have paid their aggregator, and the core transport customers may have to pay again for the utility procured gas in the event the aggregator fails to deliver and pay for the utility purchased gas. With the security deposit requirement, the utility can apply the aggregator's deposit to the utility purchased gas. If the aggregator's deposit is not sufficient to cover the utility purchased gas, then the core transport customers would be liable for the difference.

CACD believes that SoCal's two ways of establishing credit is reasonable. The $700 non-refundable credit application fee is reasonable because it would cover not only the cost of initial

credit determination by an outside credit agency, but also a reevaluation. However, the basis of the daily contract quantity is not clear. CACD recommends that daily contract quantity be based on the average of the total daily contract quantity. The requirement of 60 days is also adequate and is consistent with SoCal's present Rule 7, Deposit. The average bundled core rate (commodity plus transportation costs) is reasonable because the utility may have to purchase gas at a higher rate. Therefore, CACD recommends the adoption SoCal's two-way proposal under which an aggregator can establish credit, with an explanation that the DCQ shall be based on the average total daily contract quantity.

SDG&E Security Deposit

Access argues that SDG&E's assumption of a core aggregator's four month total failure of payment should be reduced by half, because it is unreasonable to base a creditworthiness requirement on the assumption of a full four-month total failure of payment.

Access further argues that SDG&E's core aggregator's creditworthiness standard requires letters of credit issued by banks with an international office and located within SDG&E's service area. Access states that this is an unreasonable restriction because other reputable banks reside outside SDG&E service area. Access requests that this restriction be removed from SDG&E's procedure.

SDG&E replies that its creditworthiness policy reflects the end-use customer's established two-month credit deposit for full bundled service to offset 100% of the WACOG for the first two months of the four-month risk period. The core aggregator is only required to post the additional 50% for the first two months plus 150% for the other two months. SDG&E believes that the four-month full risk requirement is reasonable for it protects the end-use customers from imbalance penalty costs, which may not be under the end-use customers' direct control.

SDG&E also replies that it agrees with Access that an irrevocable letter of credit should be allowed from any bank subject to SDG&E's approval and acceptance.

Discussion: CACD notes SDG&E's proposed billing procedure for core aggregator's nonpayment. If the core aggregator agent delivers zero volume in month one, SDG&E will apply the following procedures: (1) notify the aggregator of the imbalance at the end of month one; (2) bill the aggregator for the imbalance after month two; (3) begin credit action during month three; and (4) give the aggregator until the end of month

four to make full payment. Therefore, SDG&E's total risk is four months, assuming a zero delivery from the aggregator.

Currently, SDG&E customers post a two-month security deposit when initiating service. This deposit is returned with interest when a customer has received continuous service and has paid his bills for a period of 12 consecutive months. CACD believes that SDG&E's requirement allowing the use of the end-use customer's two-month credit deposit to cover 100% of the WACOG for the first two months is not reasonable and should be modified to reflect the forecasted WACOG established in the most recent cost allocation proceeding. Also, when a core customer has established a good credit standing with the utility, the end-use customer's two-month credit deposit should not apply. This requirement should only apply to new core customers, not to those with established credit histories.

SDG&E's requirement for the aggregator's own credit establishment is reasonable. However, CACD recommends the following modifications to SDG&E's credit requirement: (1) application of the end-use customer's two-month deposit only to new customers to the utility's system, and (2) use of the forecasted WACOG as provided in the most recent cost allocation proceeding. CACD recommends that SDG&E's tariff be revised accordingly.

Interest on Security Deposit

SoCal's proposed tariff provides for interest to accrue on the aggregator's security deposit, except during any billing period in which the bill is not paid within 10 days. Sunrise/GasMark argue that this exception constitutes a "double-penalty" for late payment and should be rejected. Sunrise/GasMark state that SoCal should not impose an additional penalty for late payment by the aggregator because SoCal already proposes a late payment charge of 1.5% per month for non-payment of bills within 10 days.

Sunrise/GasMark also object to SoCal's tariff which requires a 1.5% per month late payment charge for aggregators. Sunrise/GasMark submit that the late payment charge should not be higher than the interest rate set forth in SoCal's Rule 8(B)(Interest on Deposit). CACD notes that SoCal's Rule 8 computes interest on deposits at the rate of 1/12 of the interest rate on commercial paper (prime, 3-month), published the prior month in the Federal Reserve Statistical Release, G.13.

SoCal replies that it is not reasonable for interest to accrue on an aggregator's security deposit when an aggregator is delinquent in paying its bills. SoCal further explains that the

late payment charge of 1.5% per month is a disincentive for aggregators to pay their bills late, and that this disincentive is essential because an overdue aggregator's bill could be substantial.

Discussion: CACD notes that an aggregator's security deposit ensures utility payment in case of a defaulting aggregator. The security deposit should earn interest, as it would have earned interest had that amount been deposited or invested somewhere else. The security deposit should continue to earn interest even at times when the aggregator is delinquent in making its payment. The payment of interest should only cease once that deposit is returned or applied to the payment of delinquent bills. CACD notes that for late payment of bills, the aggregator is more than adequately penalized by the utility's imposition of the 1.5% penalty charge. This percentage should be tied to the standard commercial paper interest rate, so that the utility does not collect any more or any less than it pays on interest.

CACD notes that SoCal's reply does not justify its 1.5% per month late payment charge for aggregators. Sunrise/GasMark's proposal to apply SoCal's Rule 8 interest rate on late payments is reasonable. CACD recommends that SoCal revise its late payment charge tariff to comply with the requirements of SoCal's Rule 8.

Delinquent Bills

Sunrise/GasMark and Broad Street object to SoCal's proposed tariff which states that the bill to the aggregator is considered delinquent if it is not paid by wire transfer within 10 days of the statement mailing date. Sunrise/GasMark suggest that aggregators should have 19 days to make payments, which is the rule that applies to SoCal's core customers. Sunrise/GasMark add that this provision is not consistent with the provision of A.L. 2050 (Core Aggregation Service Agreement), Article III, which states that aggregators who have assumed the core customers' bill paying responsibility should not be subject to a stricter payment schedule.

Broad Street points out that SoCal's delinquent bill tariff will not work because of mail delay. Further, wire transfers are not even required of SoCal's own core customers. Instead, Broad Street suggests that SoCal use its "GasSelect" system, an electronic communication system as proposed in its A.L. 2047 and A.L. 2049. In this way, billing information transfers can be accomplished, and SoCal can be paid promptly by check.

SoCal replies that its utility electric generating and wholesale customers are able to make payment within this time period by

wire transfer, and there is no reason for a financially solid aggregator to fail to meet this obligation. SoCal adds that this requirement was one of the reasons why SoCal would allow only two-month deposit instead of a four-month deposit from the aggregators. SoCal plans to work with any aggregator who may have a difficulty in meeting the ten-day deadline so that the aggregator may receive billing data as soon as possible.

Discussion: SoCal staff explained to CACD that it is requiring aggregators to make payments within 10 days because the billing mechanics involved in the core aggregation program are different from the rest of the core customers. According to SoCal staff, a longer lag time is involved for core aggregators due to mismatches in billing cycles. However, CACD does not have substantial information to change SoCal's effective Rule 9 (Discontinuance of Service) tariffs for delinquent payments. CACD notes that SoCal's and SDG&E's tariff rule allows a total of 34 (19 + 15) days for residential customers and a total of 26 (19 + 7) days for non-residential customers, before termination of gas service.

Although the core aggregation members would consist of residential and non-residential customers, CACD recommends that the utilities apply the rule applicable to residential customers to allow increased program flexibility, because a stricter time limit would negate existing statutes governing termination rules for residential customers. CACD recommends that SoCal include aggregators under the requirements of SoCal's existing Rule 9 for late payments. CACD notes that SDG&E staff state that, in cases of late payments, SDG&E intends to apply its existing Rule 11 (Discontinuance of Service) requirements, as applicable to regular residential customers. CACD recommends that SDG&E's core aggregation tariff filing include the late payment provision.

Disputed Bills

Sunrise/GasMark object to SoCal's proposed tariff under Rule 11 (A.L. 2022-A), which requires that bills disputed by the aggregator must be paid pending resolution of the dispute. Sunrise/GasMark submit that aggregators should have the same right as core customers to deposit payments on disputed bills with the Commission. Sunrise/GasMark add that it is appropriate for the aggregator to deposit the payment for a disputed bill with the Commission, pending dispute resolution, because the Commission has jurisdiction over disputes between the utility and the aggregator.

SoCal replies that it does not object to the proposal allowing the aggregator to deposit the payment on disputed bills with the Commission. It is not clear to SoCal whether the Commission has

asserted its jurisdiction over disputes between the utility and the aggregator, but SoCal agrees with Sunrise/GasMark that the Commission should decide such disputes.

Discussion: D.91-02-040 provides that the Commission will continue to resolve any dispute between the utility and its customers, even in cases where a marketer or broker may be billing individual core customers. Since SoCal is under Commission jurisdiction, any dispute between SoCal and its customers may be brought to the Commission's attention for resolution. CACD notes that SDG&E's tariff fails to provide for disputed bills. CACD recommends that SoCal's and SDG&E's tariff be amended to include this provision for disputed bills between the utility and its core aggregator.

Billing Form

Sunrise/GasMark object to SoCal's requirement that its billing form must be used when the aggregator performs the function of billing the customers. SoCal's tariff also provides that any rebates or refunds in the bills shall be passed on to the customers by the aggregators. Sunrise/GasMark believe that this provision is outside the Commission's jurisdiction. The contract between the aggregator and the customer is a private contract. The customer and the aggregator will allocate costs and risks based upon mutual negotiation and agreement. Sunrise/GasMark argue that neither SoCal nor the Commission should dictate the contents of a private contract.

SoCal replies that Commission's General Order (G.O.) 58-A, Section 19, provides that it is in the public interest for customers to receive their bills in the form set forth in the general order. SoCal states that, if the aggregator bills the customers, the billing form and content must follow the Commission's order.

SoCal also replies that any refund or rebate that SoCal will make to its customers will consist of monies originally paid by SoCal's ratepayers for intrastate or interstate utility service, and therefore should be returned to the core customers.

Discussion: Commission's G.O. 58-A, Section 19, clearly states the information that should appear on the bills rendered to customers such as, the number of cubic feet or units of gas supplied and the charge per unit of service. G.O. 58-A also provides that copies of all forms of bills, bill stubs and notices relating to the payment of bills shall be filed with the Commission. The general order also provides that no change shall be made in any such bill, bill stub, or notice, without Commission approval. The aggregator's billing form should comply with Commission G.O. 58-A. Any utility refund or rebate

to core transport customers should be passed on by the aggregator in the core transport customers' bills. CACD recommends that SoCal revise its tariff to show that the aggregator's billing form shall comply with G.O. 58-A. CACD also recommends that the aggregator file its billing form with the utility, and the utility in turn should file this billing form through an advice letter filing.

Billing Inserts

Sunrise/GasMark protest SoCal's A.L. 2051, Marketer/Aggregator Contract (Article III, Section 3.3), which requires aggregators to send legal notices and billing inserts to customer. Sunrise/GasMark point out that Resolution G-2955 directed the utility to provide such notices.

SoCal replies that it intends to continue sending all legal notices to its customers, as stated in SoCal Rule 32, Section Q. SoCal's Marketer/Aggregator Contract, Article III, Section 3.3, which provides that aggregator will be responsible for sending out utility information to its customers if deemed appropriate by SoCal, because SoCal is concerned that its own notices may not be read if they are for information only. SoCal states that it is not avoiding its obligation to continue providing all legal notices to its customers, but that it just wants to protect its ability to communicate with these customers.

Discussion: Resolution G-2955 provides that the utility shall send notices or inserts regarding utility-proposed changes affecting its end-use customers. CACD recommends that SoCal revise its tariff to clearly indicate this utility-notice provision.

Monthly Transmission Charges

Broad Street argues that SDG&E's Schedule GTCA, Special Condition No. 12 (Monthly Transmission Charges), seems to imply that the transportation rate is locked-in for the first twelve consecutive months of service. Broad Street argues that SDG&E's tariff is not in compliance with D.91-02-040 and may be misleading to potential customers. Therefore, Broad Street requests a clarification of SDG&E's Schedule GTCA, Special Condition No. 12.

SDG&E replies that Broad Street has either misread or misunderstood its Special Condition No. 12. SDG&E explains that the customers will be required to pay the regular applicable transportation rates plus an "adder", for the first twelve consecutive months of service. After the twelve-month period, the "adder" will no longer be collected. The "adder" is in

compliance with D.91-02-040, Appendix A, page 3, which reflects the most recent positive or negative imbalances in the utility's core gas balancing accounts.

Discussion: CACD agrees that SDG&E's tariff is in compliance with D.91-02-040, which provides that core aggregation customers' transportation rates include an "adder" for the first year for balancing account imbalances. CACD recommends no additional changes.

Taxes

SoCal's proposed tariff requires that aggregators pay the applicable utility user's tax or any applicable local fees and taxes. Sunrise/GasMark recommend that SoCal amend its tariff to state that the payment of such taxes is the customer's responsibility, although, the assumption of this responsibility by the aggregator can be negotiated between the aggregator and the customer.

SoCal explains that Sunrise/GasMark mistakenly have interpreted the tariff language as placing the financial responsibility for such taxes on the aggregator. SoCal states that the utility users' tax is the responsibility of the customer, and that this amount is included as part of the customer's bill. In the event customers' bills are directed to the aggregator, the aggregator becomes responsible for the collection and payment of such taxes to the utility on behalf of the customer.

Discussion: CACD agrees that utility taxes that apply to local fees and taxes are the customers' responsibility. D.91-02-040 provides that the utilities should handle the issue of city taxes on utility services the same way they handle it for noncore transport customers. The decision adds that this issue will be revisited if it becomes a source of controversy. CACD recommends no additional changes.

FINDINGS

1. The capacity brokering rules and procedures emanating from R.88-08-018 may not be the same for core and noncore participants.

2. SoCal's proposed Rule 32 does not reflect accommodation of core aggregators' monthly nomination changes for access to particular supply basins or the core aggregators' proportionate share of access to the supply basins reserved for core customers.

3. SoCal proposes to adopt a computer-nomination program under its Rule 30 Transportation tariff.

4. SoCal has lengthened the nomination process.

5. SoCal requests reservation of the right to use the single day, El Paso notice to backfill behind all of the nominations in order to make additional gas purchases.

6. SoCal proposes a nomination maximum daily quantity of 105% of the daily contract quantity in the summer months and 130% of the daily contract quantity in the winter months.

7. SDG&E proposes a nomination maximum daily quantity of 110% based on a seasonal peak-day usage for both summer and winter months.

8. SoCal does not provide current and projected system gas flow information through its electronic bulletin board.

9. SoCal's proposed Rule 32 does not define the satisfactory evidence that it will accept from the aggregators to support the existence of contracts between the aggregator, its end-use customers, and its suppliers.

10. SoCal's proposed Rule 32 is consistent with D.91-02-040, which requires that customers are not responsible for the aggregator's imbalance charges in the event of a default by the aggregator.

11. SoCal's proposed Rule 32 is consistent with D.91-02-040, which allows an imbalance tolerance of 10% to core transport customers.

12. SoCal's proposed Rule 32 is consistent with D.91-02-040, which provides that core aggregation customers may split their loads and purchase gas from a third-party and the utility, with the utility gas counted as the first volumes through the customer's meter.

13. SDG&E's Schedule GTCA (Natural Gas Transmission Service for Core Aggregation Customers), Standby Service Fee, incorrectly states that the balancing penalty will apply when core customers are curtailed.

14. SoCal's proposed Rule 32, paragraph (N), incorrectly states that the balancing penalty will apply when standby service is curtailed to core customers.

15. SoCal's tariffs limit core aggregators to a single cycle of storage injections and withdrawals each year.

16. SDG&E's Schedule GTCA, Special Condition No. 19 (Core Storage Allocation), does not detail the seasonal schedule of storage injections, withdrawals, and adjustments, and prohibits the use of core storage gas to effect a trade.

17. SDG&E's Schedule GTCA inadvertently carried over Special Condition No. 25 (Interruptibility by the Customer), which requires a 30-day written notice prior to any customer action which would "significantly impact" the delivery of contracted gas volumes.

18. SDG&E's Schedule GTCA, Special Condition No. 3 incorrectly states that core aggregation service requests require a 90-day advance notice after August 1, 1991.

19. SDG&E requires a written renewal notice prior to the expiration of the contract from core aggregation customers.

20. SoCal's proposed Rule 32(a),1 (Open Season) states that "aggregators" will be accepted into the core aggregation program until the total capacity is reached.

21. SDG&E's Schedule GTCA, Special Condition No. 14 (Deposit Fee to Reserve Capacity), and Rule 7 (C), Deposits, incorrectly places the burden of the capacity reservation fee of $10 per thousand cubic feet per day on the aggregator.

22. SoCal's proposed Rule 32 concerning good faith deposit fails to provide for the refund of the deposit within 180-days after the request for service.

23. SoCal's proposed Rule 32 includes a description of the proportionate forfeiture of the capacity reservation fee, but SDG&E's core aggregation tariffs does not have this description.

24. SoCal proposes to require core aggregators to post a security deposit equal to sixty days of the daily contract quantity at the average bundled core rate.

25. SoCal's proposed Rule 32, paragraph B.1. does not define its acceptable standard for the aggregator's financial condition and when this financial condition is considered below the acceptable standard.

26. SoCal allows aggregators to establish either a line of credit, subject to a $700 non-refundable credit application processing fee, or by a security deposit.

27. SDG&E proposes to require core aggregators to post a security equal to the full potential risk of four months at 150% of the weighted average cost of gas.

28. SoCal proposes a 1.5% per month late payment charge to aggregators.

29. SoCal would apply the noncore standard for termination procedures to core aggregators.

30. SDG&E's core aggregation tariff does not provide for procedures to be taken when payments are delinquent.

31. SoCal proposes to require aggregators to make payments within 10 days by wire transfer.

32. Sunrise/GasMark propose that disputed bills between the aggregator and the utility should be deposited with the Commission.

33. SoCal's proposed Rule 32 requires that the aggregator's billing forms shall be in accordance with the form and content of bills rendered by the Utility.

34. SoCal's A.L. 2051, Marketer/Aggregator Contract (Article III, Section 3.3) incorrectly requires aggregators to send legal notices and billing inserts to customers.

35. The utility will apply applicable taxes to the aggregator's bill.

36. Taxes are the responsibility of the end-use customer.

CONCLUSIONS

1. SoCal should delete from its tariffs the reference that the core customers' participation in future capacity brokering will be subject to the same rules and procedures applicable to noncore participants.

2. SoCal's Rule 32 should reflect the utility's accommodation of monthly nomination changes for access to particular supply basins and the core aggregator's proportionate share of the access to the supply basins reserved for core customers.

3. On an interim basis, SoCal should implement the computer-nomination program under its Rule 30 Transportation tariff, subject to review, audit, and a limited-scope proceeding.

4. On an interim basis, SoCal should have the right to use the single day, El Paso notice to backfill behind all of the nominations, subject to review, audit, and a limited-scope proceeding.

5. SoCal's and SDG&E's nomination maximum daily quantities should be retained in their tariffs.

6. SoCal should provide summary statistics about system daily flows and any near-term projections on its bulletin board on an interim basis.

7. SoCal should clearly state in its tariffs the satisfactory evidence it will accept from the aggregators to support the existence of contracts between the aggregators, its end-use customers, and its suppliers.

8. SoCal should retain its Rule 32 imposing imbalance charges on aggregators and requiring an imbalance tolerance of 10%.

9. SoCal's and SDG&E's tariffs should comply with D.91-02-040 which imposes the standby and balancing charge on core aggregators when standby service is curtailed to Service Level 2 customers.

10. SDG&E should revise its core aggregation schedule and Schedule GSTORE to provide details of its storage program, as well as the conditions when storage gas may be used to effect an imbalance trade.

11. SoCal should define the term single cycle in its tariffs.

12. SDG&E's Schedule GTCA, Special Condition No. 25 (Interruptibility by the Customer) should be deleted from its tariffs because this condition does not apply to core aggregators.

13. SDG&E should provide in its tariff that core aggregation service requests after August 1, 1991 shall be accepted on a first-come, first-served basis.

14. SDG&E's tariff should adopt an evergreen renewal term.

15. SoCal's Rule 32 (a), 1 (Open Season) should state that "customers" will be accepted into the core aggregation program until the total capacity is reached.

16. SDG&E's Schedule GTCA, Special Condition No. 14 (Deposit Fee to Reserve Capacity), and Rule 7 (C), Deposits, should place the burden of the capacity reservation fee of $10 per thousand cubic feet per day on the customer.

17. SoCal's Rule 32 should state that SoCal will credit the good faith deposit on the customer's or aggregator's first bill, or will refund it with interest, within 180 days after the request for service.

18. SoCal should retain and SDG&E should include in its tariffs a provision for a proportionate forfeiture of the capacity reservation fee.

19. SoCal should define in its Rule 32 the acceptable and unacceptable standard concerning the aggregator's financial condition.

20. SoCal and SDG&E should retain their security deposit requirements.

21. SoCal's late payment charge should be tied to the standard commercial paper interest rate.

22. SoCal should provide billing procedures for core aggregators following the prescribed pattern for residential customers.

23. SDG&E's core aggregation tariff should include its provisions for late payments.

24. SoCal and SDG&E provision on delinquent bills should be subject to their existing rules for discontinuance of service.

25. Disputed bills should be deposited with the Commission.

26. SoCal's tariff should state that the utility will send legal notices and billing inserts to customers.

27. SoCal should revise its contract to state that the utility, not the aggregator, will send legal notices and billing inserts to customers.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company shall file a complete, revised set of advice letter and tariff sheets for core aggregation in compliance with the provisions of General Order 96-A, consistent with each of the Findings and Conclusions listed above.

2. San Diego Gas and Electric Company shall file a complete, revised set of advice letter and tariff sheets for core aggregation 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 and San Diego Gas Company shall file a complete, revised set of advice letter and tariffs five business days from the effective date of this resolution, and to all other parties of record as soon as possible, but not later than August 16, 1991.

4. Southern California Gas Company Advice Letters 2022-A, 2050, and 2051 and their tariff sheets shall be marked to show that they were supplemented.

5. San Diego Gas and Electric Company Advice Letter 748-G-A and its tariff sheets shall be marked to show that they were supplemented.

6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 24, 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