PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2958
July 24, 1991

R E S O L U T I O N

RESOLUTION G-2958. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AND SOUTHWEST GAS CORPORATION (SOUTHWEST), SUBMIT PROPOSED SUPPLEMENTAL 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-A FILED ON MAY 21, 1991 AND SOUTHWEST ADVICE LETTER 427-A FILED ON JUNE 17, 1991.

SUMMARY

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

- Requires PG&E to prioritize and sequence its ordering of gas through interstate pipelines, in accordance with customers' service levels and end use priority.

- Directs the utilities to provide for abandoned core aggregation customers.

- Provides for a PG&E four-month security deposit, with modifications.

BACKGROUND

1. On February 21, 1991, the Commission adopted D.91-02-040, which set forth final rules for a pilot program providing transportation-only service to core customers who aggregate their loads.

2. On June 19, 1991, the Commission approved Interim Resolution G-2956, which ordered PG&E and Southwest to revise their core aggregation filings accordingly.

3. PG&E filed Advice Letter (A.L.) 1637-G-A on May 21, 1991. Southwest filed Advice Letter 427-A on June 17, 1991.

NOTICE
Public notice of the above mentioned Advice Letters was made by each respective utility's 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 advice letter. No protests were received for Southwest's advice letter.

1. SPURR (School Project for Utility Rate Reduction) filed a protest on June 1, 1991. PG&E responded on June 21, 1991.

2. Broad Street Oil and Gas Company (Broad Street) filed a protest on June 10, 1991. PG&E responded on June 18, 1991.

3. Access Energy Corporation (Access) filed a protest on June 10, 1991. PG&E responded on June 14, 1991.

4. Sunrise Energy Company, SunPacific Energy Management, Inc., GasMark, Inc., GasMark West, Inc. (Sunrise/GasMark) filed a protest on June 11, 1991. PG&E responded on June 20, 1991.

DISCUSSION

Transportation Issues

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. Access in its protest dated June 10, 1991, restated its position regarding this issue and argues that PG&E's noncore Schedule G-CIG (Customer Identified Gas) participants should not have a right to pipeline capacity which is superior to core aggregation participants (Schedule G-AIG).

SPURR also questions the allocation of capacity among the San Juan, Permian, and Anadarko Basins and PG&E's own core reservations on these basins. SPURR also requests that PG&E revise its tariffs, once PG&E's Transwestern capacity goes into effect.

PG&E responds that its proposed Agent Identified Gas program (Schedule G-AIG) is in compliance with Rule 9 of D.91-02-040, which requires core transportation customers to use the utility's capacity rights and not be a part of the pro rata allocation mechanism established for noncore customers. PG&E believes that

D.90-12-100 did not intend to give core customers a superior right to capacity, but only to allow them to use the utility's capacity rights. PG&E states that the G-AIG program does not utilize capacity that has been reserved for the noncore customers under the Customer-Identified Gas (G-CIG) Schedule. PG&E notes that it will use its grandfathered interruptible rights via El Paso pipeline and its firm sales right via PGT (Pacific Gas Transmission), if an "access agreement" is negotiated for the core AIG program, as has been for noncore program, and PG&E's own system supply procurement. PG&E states that it will provide a nomination priority on the El Paso system for a limited amount of capacity under the CIG program. PG&E notes that since the Commission did not require such nomination priority for core customers under the AIG program, access to interstate pipelines will be restricted for the core AIG program and PG&E's system supply, and, therefore, will be provided on a pro rata basis.

PG&E states that it only has transport rights at Topock from the Southwest. PG&E adds that by specifying maximum quantities of gas from each basin based on the ratio of PG&E's historic takes from each basin, PG&E can provide access over the El Paso pipeline system that is comparable to the access received by core sales customers.

Discussion

D.90-09-089 required PG&E to make available to noncore transportation customers 450 MMcf of its pipeline capacity, 250 MMcf per day over the Pacific Gas Transmission (PGT) line to Canada and 200 MMcf per day over the El Paso Natural Gas Pipeline Co. (El Paso). D.90-12-100 clarified D.90-09-089 that core transportation customers are permitted to use the utility's capacity rights and are not part of the pro rata allocation mechanism established for noncore customers.

CACD has reviewed this issue with PG&E. CACD recognizes that the mechanism of delivery of gas from various basins to Topock is complicated and is aware of PG&E's limited control outside California. PG&E concedes that it is possible that a noncore transport customer's gas may be delivered prior to the core transport customer's.

PG&E's core customers should receive the highest priority service, Service Level 1, ahead of all noncore customers. D.90-09-089 required PG&E to make available 200 MMcf per day over El Paso for noncore customers. However, the Commission did not intend that, in order to satisfy this requirement, noncore transportation customers' gas should be delivered ahead of the core customers' gas. PG&E must give core customers' gas higher priority when giving gas through interstate pipelines to satisfy this requirement. CACD recommends that PG&E prioritize its ordering and sequencing of gas deliveries through interstate pipelines based on customers' service levels and end use

priorities. This service should be offered on a best-efforts basis until the capacity brokering program becomes effective.

Canadian Gas

Access, in its original protest/petition, 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.

SPURR protests the provision that service is not available via Malin, Oregon, and believes that it is not consistent with the Commission's order. SPURR states that it has been offered Canadian Gas from Alberta and British Columbia at a lower price than PG&E's gas price. SPURR argues that PG&E's refusal to transport Alberta gas has no basis.

Sunrise/GasMark request that PG&E's schedule G-AIG be consistent with the similar schedule for the noncore, Schedule G-CIG, that was addressed in Resolution G-2948. Sunrise/GasMark protest that PG&E is not offering service through Malin, and to not provide this service is inconsistent with Commission's intent to provide pro rata access to interstate capacity for core customers over both the PGT and the El Paso pipelines.

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 for noncore customers, there is uncertainty in the flow of any firm gas supply from a third-party supplier from Canada. PG&E offers its cooperation with all interested parties to develop an Access Agreement for core aggregators, similar to the one adopted in D.90-09-089.

Discussion

This issue has been addressed under D.91-02-040. CACD has no additional comments.

Maximum Daily Reservation Via Topock

Sunrise/GasMark object to the limitations on the daily reservations on the El Paso pipeline. Sunrise/GasMark believe there is no basis for these limitations and requests removal of such restrictions since PG&E's own core customers are not limited by such restrictions.

PG&E claims that the proposed limitations are based on PG&E's historical purchases from each of the specific basins. PG&E believes that in this fashion it can provide access over the El Paso pipeline system that is comparable to the access received by core sales customers.

Discussion
PG&E's proposed tariff, Schedule G-AIG, limits the daily supply nominations, via El Paso, to 10% of the total Topock reservation from the Anadarko basin, 20% from the San Juan basin, and 70% from the Permian basin. PG&E's noncore transportation customers under Customer-Identified Gas, Schedule G-CIG, are also limited to similar percentages of supply from those basins. PG&E claims that the above mentioned percentages are based on its historical purchases from each basin. CACD believes that it is reasonable to rely on these historical purchases as guidelines to assure that core transportation customers receive access to transportation services equivalent to the access provided to core procurement customers, and in proportion to their share of total core demand. CACD recommends no revisions to PG&Es's tariffs regarding this issue.

Best-Efforts Procurement Option
Access sees no reason why PG&E should procure agent-identified gas on a best-effort basis instead of firm. Access is concerned that this language in PG&E's tariff will create confusion and requests revision to PG&E's proposed G-AIG Schedule.

PG&E responds that since it does not have grandfathered interruptible transport rights from specific basins on the El Paso system other than at the Topock delivery point, it has no control beyond the interstate mainline receipt points. For these reasons it cannot guarantee absolute firmness, only best-efforts.

Discussion
D.90-09-089 ordered the utilities to use their capacity rights to purchase gas supplies identified by individual customers on a non-discriminatory "best-efforts" basis. At this time, capacity brokering is not available to either the utilities or their customers. Until capacity brokering becomes available, the utilities may offer a best-efforts service. CACD recommends no revision to PG&E's tariffs regarding this issue.

Supply Arrangement
Access objects to the provision of the Supply Agreement of Schedule G-AIG, Experimental Procurement service for agent Identified Gas, which requires the aggregator to identify each source of supply by basin. Access is concerned that this requirement limits the aggregators and precludes them from buying gas from spot market. Access also comments that this requirement

prevents the aggregator from having the same flexibility as PG&E, and requests relief.

PG&E points out that in absence of a capacity brokering program there are several shortfalls to be dealt with, one being the restrictions of the Schedule G-AIG as a procurement portfolio supply option. PG&E remains confident that this requirement will not be an obstacle for service under Schedule G-AIG.

Discussion
CACD believes that identifying each source basin available to PG&E is a reasonable requirement in order to assure reliable delivery of supplies and recommends no revision to PG&E's tariffs regarding this issue.

Split Load and Scheduling Flexibility
SPURR objects to the provision that gas procured by PG&E shall require a monthly profile consistent with historical usage. SPURR believes that this language is vague and allows PG&E too much discretion. Access also states that the monthly usage nominations are not consistent with the utility's own core requirement and requests that a two-day notice be permitted for changes in monthly nominations.

Sunrise/GasMark object to the requirement that when a customer purchases gas from both the utility and the third party, the first gas through the meter should be the utility's gas. Sunrise/GasMark believe this provision unreasonably favors the utility and argues that the customer group's imbalance should be divided among both utility and third party sales proportionally, if the aggregator has provided the full amount of gas nominated. SPURR is also concerned about this requirement and believes that it will discourage transportation.

PG&E responds that the monthly profile based on historical use is intended to conform with rules adopted in D.88-03-085, in order to prevent seasonal "gaming". PG&E adds that the "first gas through the meter" provision is also based on that purpose and is consistent with Rule 3 of D.91-02-040. PG&E explains that customers who choose transportation-only service should assume responsibility for planning gas purchases and should not "swing" on PG&E's system. PG&E believes that this provision will assure that customers do not lean on the utility during the winter months and enables PG&E to forecast gas supplies for partial load customers.

PG&E adds that the monthly nominations will be used to determine the quantity of storage banking and capacity reservation and they do not restrict the actual amount of gas nominated during a given month. Finally, PG&E requests that if the Commission requires any modification to this provision, because of the complicated

tracking and billing procedures for partial load customers, splitting load between transportation and sales not be allowed, at least during the first year of this program.

Discussion

D.91-02-040 directed the utilities to allow core customers to split their loads between the utilities and third parties. To allow the utilities to estimate customer's gas demand, D.91-02-040, adopted that the first gas through the meter should be utility sales. D.91-02-040 also adopted PG&E's recommendation that core transport customers will be required to specify monthly utility gas sales. What was not clearly stated in this decision was if customers' monthly nominations should be based on their historical profile as PG&E had recommended. CACD agrees with PG&E's position on the issue of requiring customers who split their loads to nominate monthly gas purchases based on their historic usage pattern and finds this requirement consistent with D.88-03-085, D.91-09-089, and Resolution G-2948 for the noncore transportation customers. CACD believes that this information will assist PG&E in matching customer's needs and available supplies and will optimize capacity, and recommends its approval with no revisions.

Customers' total gas usage is based on their historical usage. Customers are required to identify the total annual contract quantities that will be supplied by either PG&E, the aggregator, or others through the G-AIG (Agent-Identified Gas) schedule. From this information, PG&E will calculate customers' Maximum Daily Quantity (MDQ) reserved capacity. Under PG&E's proposed tariffs, customers will be allowed to change their daily nominations up to the calculated MDQ with a 2-days' prior notice, PG&Ea claims that a 3-day notice, before the beginning of any month, will be required for daily nomination changes of the agent-identified gas.

CACD finds PG&E's proposal reasonable, but recommends that PG&E revise its tariffs to clearly state the above descriptions of the nomination procedures under its Rule 21. PG&E should also revise its Rule 1, Definitions, to reflect the definition of an MDQ.

Annual Therm Requirement

SPURR requests that PG&E revise its tariff language to define treatment of any group that falls below the 250,000 therms per year requirement.

PG&E recommends that any group falling below the minimum requirement of 250,000 therms per year would be allowed to continue under the transport program for the remainder of the annual term. If the group fails to add sufficient membership to meet the 250,000 therms per year requirement by the end of the annual term, it will no longer be eligible to participate in the

program. PG&E requests Commission approval to amend its tariffs accordingly.

Southwest's tariff lack this provision.

Discussion

CACD finds it reasonable to allow any group falling below the 250,000 therms per year requirement to remain in the program and under the same schedule until the end of the annual term. Such groups of customers will be ineligible to participate in the program if they fail to add nominations to meet the minimum requirement by then. In absence of any conflicting guidelines from D.91-02-040, CACD recommends adoption of the above mentioned provision in PG&E's and Southwest's tariffs.

The Balancing Penalty

SPURR is concerned that PG&E's balancing provisions during a curtailment will hinder the core transportation program.

Sunrise/GasMark argue that the $10 per decatherm balancing penalty to core customers during the periods of curtailment should not apply.

Access protests the $10 per decatherm standby penalty during curtailment and requests that the Commission only allow this charge to be imposed after the 10% tolerance band is exceeded and after the trading of imbalances and storage gas usage have been taken into account. Access further argues that PG&E's own core customers who lean on the system during curtailment periods are not subject to any penalty and requests that core transportation customers be treated equally.

PG&E responds that it has provided an Emergency Banking provision to assist the customers in avoiding any penalty charges during curtailment periods. PG&E adds that while core customers, through the Core Purchased Gas Account, pay for additional charges incurred by PG&E during curtailment due to procuring additional supplies for them, core transportation customers will not be paying for any such costs.

Discussion

CACD addressed this issue in Interim Resolution G-2956, and clarified that the $10 per decatherm penalty for core transportation customers using balancing services applies when Service Level 2 customers are curtailed. Interim Resolution G-2956 also adopted that this penalty should apply only to those customers who are not within the 10% tolerance band. CACD believes that it is reasonable to allow trading to occur before applying this penalty and therefore recommends approval of the provision that the penalty should not apply until the trading period is over. CACD does not however, recommend approval of

trading storage to avoid this penalty. This issue is discussed in this Resolution under a separate topic.

Balancing Standards

Sunrise/GasMark believe that core transportation customers should not be subject to the same balancing requirement as noncore transportation customers. Instead, the balancing standard for the core transportation customers should be the same standards that PG&E applies to its own core customers. Sunrise/GasMark argue that balancing for temperature sensitive core customers has not yet been accomplished, and it is essential that the same standard be applied to PG&E's core customers as well as the core transportation customers. Sunrise/GasMark believe that a combination of historical usage pattern and 2-days prior forecast is reasonable. Likewise, Sunrise/GasMark request that the 10% tolerance band applied to core transportation customers take into account the use of storage and interstate capacity on their behalf. Sunrise/GasMark propose that the 5.7% core aggregation annual storage quantity be added to the tolerance band whether or not gas has been injected into storage on their behalf.

PG&E notes that the core transportation customers are no longer entitled to the exact treatment as the utilities' own core customers. PG&E further explains that the 10% balancing provision adopted by the Commission was intended to provide the core transportation customers some flexibility. PG&E claims that it can not allow a deviation of as high as 10% between gas deliveries and receipts on its own system and must balance its gas system each day. PG&E also replies that there is no rationale for combining an annual allocation of banking reservation with a monthly balancing tolerance band.

Discussion

CACD addressed this issue in the Interim Resolution G-2956, dated June 19, 1991. CACD finds PG&E's balancing standards consistent with D.90-11-061, Appendix A, Rule 8(b), which adopted that balancing services would be provided to core transportation-only customers on the same terms and conditions as for noncore transportation customers.

CACD believes Sunrise/GasMark's proposal to increase the balancing tolerance band by the amount of storage capacity reserved for the aggregator has no basis, and recommends no revision to PG&E's tariffs regarding this issue.

Use of Storage to Offset Imbalances

SPURR objects to PG&E's proposal for withdrawing group gas from storage to offset imbalances during a curtailment. SPURR argues

that the group, not PG&E, should make the decision whether to withdraw gas from storage or not.

PG&E responds that it will only make withdrawals in order to avoid charging the customer under the imbalance penalty provision.

Access requests that the use of storage be allowed to offset imbalances. Access protested this provision in PG&E's previous Advice Letter 1637-G and still believes that PG&E should offer access to storage similar to Southern California Gas Company (SoCal).

In addition, Sunrise/GasMark request that the use of storage be allowed on a year-round basis for the purpose of balancing, and that core transportation customers be allowed to make an injection or withdrawal during the off-season for balancing purposes.

Discussion:
In Resolution G-2956, CACD stated that the Commission is aware of PG&E's storage constraints. CACD recognizes that until PG&E expands its storage facilities, there will be restrictions that will limit the capabilities and flexibilities of PG&E's storage program. CACD believes that as long as these limitations exist, all of PG&E's customers, transportation and sales customers alike, have to share the limitations. PG&E's proposed storage program does not allow for the offset or trading of gas stored with imbalances. Customers are allowed to deposit gas into storage during the injection season, normally between April and end of October, and will be allowed to withdraw from their storage on a two-days' notice during the winter season. This mechanism of injection and withdrawal is essential to PG&E's storage operation and any injections or withdrawals outside the appropriate cycle will not be possible. CACD believes that it is reasonable for PG&E to not allow offset or trading of imbalances with the stored gas, because it is not operationally feasible to do so. CACD recommends no revision to PG&E's tariffs regarding this issue.

PG&E's Emergency Banking Withdrawal provision states that PG&E will withdraw the group's banked volume to offset differences between the group's actual daily deliveries and average daily use during any period when balancing services are curtailed to noncore customers. CACD believes that while core transportation customers are allowed to withdraw gas in accordance with PG&E's Banking Provision under Schedule G-CT, PG&E's proposal would help avoid the $10 per decatherm penalty during a curtailment period. During a curtailment period, it is a reasonable requirement to withdraw gas from storage before imposing a gas cost on other customers by requesting the utility to purchase more expensive spot gas. CACD believes PG&E's proposal is fair, but notes that

it should be revised to reflect Interim Resolution G-2956, which stated that balancing service will be unavailable to core transportation customers when Service Level 2 customers are curtailed.

Service Issues

Agreement Term
Access interprets the "Term" language in PG&E's Core Transportation Schedule, Schedule G-CT, to mean that PG&E has the right to cancel the Natural Gas Core Transportation Service Agreement at the end of the twelve months upon 30-days' notice.

PG&E clarifies that the cancellation refers to the agreement between the core transportation customer and the aggregator only, and does not apply to the responsibilities between the aggregator and the utility. PG&E states that it will revise its tariffs to clarify this issue upon Commission's orders.

Southwest's tariffs lack this provision.

Discussion
CACD believes that the language in PG&E's and Southwest's tariffs need revision to reflect that the Service Agreement may be cancelled at the end of one-year term, if a 30-days' prior written notice is given to the utility by the aggregator or the customer. PG&E and Southwest should revise their tariffs.

Delinquencies/Termination of Service
Broad Street objects to the termination provision in the Core Transportation Schedule, Schedule G-CT, which states that service will be terminated for customers whose bills remain unpaid for 15 days when notification is given to the customer within ten days. Broad Street requests a longer notification period be allowed, if the four-month security deposit is adopted. Broad Street also notes that there is no provision for a collection action against the aggregator in PG&E's proposed tariffs.

PG&E responds that the 15 day notification for delinquent bills is in compliance with its Rule 11 and sees no need to lengthen this period. PG&E believes that any additional delay in collection of the unpaid bills may create more problems.

Access believes that there should be a written notice and a reasonable opportunity to cure any payment default before service is terminated due to non-payment. Access therefore requests modification to Section 14 of the Agreement.

PG&E agrees that a written notice is reasonable and proposes to provide termination notices under its Rule 11, Discontinuance and Restoration of Service.

Discussion

Section 14 of PG&E's Service Agreement states that the Service Agreement is subject to termination if the payment of any bills by the aggregator or the customer becomes delinquent. PG&E will discontinue service if the bill is still unpaid after 10 days.

PG&E's Rule 11, Discontinuance and Restoration of Service, Section A.2, Nonpayment of Bills, provides guidelines for discontinuance of service for unpaid bills of residential and non-residential customers. It allows for an initial 19-day period for residential customers and a 15-day period for non-residential customers to pay their bills. After that, the bill is considered past due and is subject to a second notice. If payment is still not received within 15 days for residential and 5 days for non-residential customers, service will be discontinued for nonpayment.

Termination of service for nonpayment of bills occur after a total of 34 days for a residential customer and after a total of 20 days for a non-residential customer. The termination time periods and noticing procedures cited above comply with California Public Utilities Code Sections 779 and 779.1. PG&E would apply the provisions for termination of service and noticing for a core aggregator under the assumption that the aggregated loads consist of nonresidential customers.

However, under the core aggregation program, aggregators may combine gas loads for both residential and non-residential customers. In addition, some of these non-residential customers may be schools, institutions, or hospitals, where such a foreshortened notification time could be life-threatening. For this reason, CACD recommends that PG&E should only be allowed to apply the longer, 34-day residential termination and noticing procedure to core aggregators.

For administrative simplicity and greater flexibility, CACD recommends that after an initial 15 day period, PG&E should notify both the customer and the aggregator if the bill has not been paid. If payment is not received within 10 days, a notice of discontinuance of service should be sent to the customer, allowing 9 days to remit payment before service is terminated. This procedure shortens the time the aggregator has to respond to the bill, but allows the customer more time to organize and respond before termination should the aggregator default. CACD recommends this modification in order to protect uninterrupted service to the core aggregation customers.

Changes in group membership

SPURR protests PG&E's Schedule G-CT requirement of a 90-day notice for a change in membership. Instead, SPURR recommends a

3-day notice to become effective with the beginning of the next billing period.

Sunrise/GasMark believe that the 90-day notice is too long and requests a 30-day notice instead. Sunrise/GasMark state that aggregator should not have to wait 90 days to remove delinquent customers from the group.

PG&E responds that the 90-day notice requirement is in compliance with Rule 2, Appendix A of Decision (D.) 91-02-040. PG&E adds that applications are approved on a first-come first-served basis and will be processed within 30 days.

Southwest's tariffs lack this provision.

Discussion
CACD agrees with PG&E that the 90-day notice to notify the utility of membership changes is consistent with Rule 2 of D.91-02-040 and recommends no changes to the language in PG&E's tariff.

Southwest should revise its tariffs to include this provision.

Abandoned Customers
PG&E's tariffs provide that a customer whose aggregator has ceased operation, has the option of either finding another aggregator within 30 days or returning to PG&E's system for a period of at least 12 months.

Southwest has failed to address abandoned customers in its proposed tariffs. CACD recommends that Southwest include provisions for abandoned customers in its supplemental filing, as discussed below.

Discussion
CACD believes that PG&E's one-month timeframe allowed for abandoned customers to choose an option is not consistent with D.91-02-040, which required a 90-days' notice for changes in membership. Customers whose aggregator has ceased operation are forced to change membership,and therefore should be given the same amount of time to choose between returning to the utility for service or finding a new aggregator. PG&E should revise its tariffs to allow abandoned customers a transition period of 90days to choose between utility service or a new aggregator.

Southwest should also include a 90-day provision to provide the customer with a choice of finding a new aggregator or of returning to the utility.

Under PG&E's proposal, abandoned customers choosing utility service or a new aggregator would receive service under Schedule

G-BAL, Balancing Services. Schedule G-BAL requires a penalty that is equal to the higher of the 150% of the commodity charge, plus brokerage fee, and the highest incremental cost of gas purchased by PG&E during the same month.

Providing service under Schedule G-BAL while the customer searches for another aggregator is a harsh provision that penalizes the customer for the failure of its aggregator. CACD recommends that the customer be charged the core-subscription WACOG)Weighted Average Cost of Gas) rate while making its decision. The customer should also be charged a brokerage fee, as adopted in PG&E's ACAP, in addition to the transportation and the over- or under collection charges which are adopted under D.91-02-040.

CACD believes that due to the size limitation of Southwest's operation in California, it would unfair to Southwest's core customers if Southwest were to charge core WACOG rates for abandoned customers during the transition period. CACD recommends that Southwest charge the core subscription WACOG rate plus the over- or under collection charges cited above for transitional, abandoned customers. Since Southwest has not performed a brokerage study and has no adopted brokerage fee unbundled from its rates, no brokerage fee should apply at this time.

Audit Rights

Broad Street opposes PG&E's tariff provision giving core aggregation customers the right to audit the books of the aggregator, and believes that it may result in the release of sensitive information. Sunrise/GasMark also object to this provision. They argue that audit rights are a private matter that should be negotiated between the aggregator and the customers, and that PG&E should not dictate the terms of the customer's contract with the aggregator.

PG&E states that this audit of the aggregator's books is limited to transactions between PG&E, the aggregator and the customer, and is intended to fulfill the utility's requirement of notifying the customers of the program risk. PG&E states that since disputes between aggregators and customers are outside of the CPUC's jurisdiction, customers will be on their own to resolve these differences.

Discussion

Under D.91-02-040, the Commission adopted that the customers are ultimately responsible for all utility billings. The Commission also adopted that it would not hear any disputes between the customers and the aggregators. In order to protect the customers' right in case of a dispute between the customer and its aggregator, it is reasonable to provide access to all

transactions regarding the customer's specific account. CACD supports PG&E's position and believes granting audit rights is a reasonable protection to provide the individual customer.

CACD also recommends that upon customers' request, PG&E provide all the notices and transactions between the utility and the aggregator pertaining to the customer, by forwarding them a copy of such transactions.

Southwest should incorporate a similar provision in its tariffs.

Billing Issues

Capacity Reservation Deposit/Refund
SPURR requests that the capacity reservation deposit be applied only during the initial open season to requested reservations, and that after the close of the open season no reservation deposit be required.

PG&E agrees with SPURR and recommends that after the open season customers and groups will be accepted on a first-come, first-served basis when completed contracts are submitted to PG&E.

Sunrise/GasMark request that the capacity reservation deposit be placed in an escrow account where it would earn interest, and also that it be returned more quickly than within 180 days.

SPURR also is concerned with the process under which the reservation deposits would be refunded. SPURR argues that PG&E should not keep the deposit beyond the beginning of the program. SPURR remarks that the deposit is intended to assure responsible participation in the open season, to guarantee payment of transportation charges.

Discussion
Appendix A, Rule 1 of D.91-02-040 required the utilities to return the deposits within 180 days, with interest, to customers who would not be receiving service. PG&E's responses to SPURR and Sunrise/GasMark are inconsistent. PG&E responds to SPURR that it anticipates to return the deposit, with interest, within 90 days from the start of the service to the customer, while its response to Sunrise/GasMark states that the deposit will be returned within 30 days.

CACD's interpretation of this rule is that the utilities will have 180 days to provide service to the customer or return the capacity reservation deposit. PG&E's proposed mechanism for collection and refund of the deposit is different. For administrative simplicity, PG&E has proposed to collect the reservation deposit from the aggregator on behalf of the core transportation customers, instead of from the customer, and shall

hold the reservation deposit in a suspense account until the appropriate time for its release back to the aggregator. PG&E believes that since it is possible that an aggregator may never incur any charges, it may be unrealistic to hold the deposit for future applications.

CACD believes that PG&E's proposed mechanism regarding collection of the capacity reservation deposit from the aggregator instead of the customer is reasonable and recommends its approval. CACD also recommends refund of the reservation deposit within 30 days of the establishment of the aggregator's account.

Security Deposit/Creditworthiness

SPURR believes that there is no Commission authority for PG&E's four-month security deposit requirement and requests its removal from the tariffs. Access also objects and states that the utility should be able to get an "early read" on an aggregator's account, sufficient enough to not require a four-month deposit.

Broad Street objects to the four-month deposit requirement and states that the assumption of a 100% default rate is impractical and impossible, given the stringent requirements for transporting gas through interstate pipelines. Broad Street also notes that the four-month security deposit is unnecessary given the fact PG&E requests holding all security deposits until it deems necessary. Sunrise/GasMark also expressed its concern that the proposal that PG&E may hold the deposit until it deems necessary is open-ended, and requests reasonable limits be adopted regarding this issue. Broad Street is also concerned that leaving the credit to the satisfaction of PG&E is also an open-ended and undefined provision, and requests instead that a limit be established on the amount of time that PG&E may hold the security deposits.

Sunrise/GasMark argue that the four-month security deposit is an additional obligation applied only to the core transportation customers, that noncore transporters are not required to meet. Sunrise/GasMark recommend that if an aggregator incurs an "excessive imbalance" at the end of a month, PG&E should retain a comparable amount in escrow to be kept as an imbalance penalty, until the excessive imbalance is traded or the appropriate penalty is paid off.

PG&E explains that its four-month security deposit is based on the potential credit exposure to PG&E when the aggregator's balancing charges become delinquent. PG&E further explains that balancing charges are not billed to customers immediately after the usage period, but instead are billed after the trading period has occurred. PG&E uses the following example for clarification:

> "If an aggregator incurs an imbalance in August, the aggregator will have until the end of October to trade that imbalance. (The August imbalance appears on the September bill, and trading occurs between the September statement and October.) If the imbalance is not traded, PG&E will bill the aggregator for balancing services in early November. Assuming the bill is issued on November 10, it will become delinquent on November 25. By that date, it is conceivable that the aggregator may be subject to additional balancing charges (incurred) for September, October and November."

Due to this long trading period that delays the issuance of balancing charges, it may be four months before a balancing bill becomes delinquent.

PG&E responds that it will use the currently established credit guidelines, in its gas Rule 6, for securing accounts and its Gas Rule 7, for returning deposits. PG&E claims that it will review accounts after one year and will return the deposit upon the establishment of a good credit history.

In response to the Sunrise/GasMark escrow account proposal, PG&E notes that it would consider a provision that would require a lesser initial deposit with an immediate credit deposit by the aggregator equal to the proposed four-month deposit, if less than half of the gas used by core customers was actually delivered by the aggregator in a given month. PG&E believes that this would consider some of Sunrise/GasMark concerns without the detailed administrative work of establishing an escrow account for each aggregator.

Discussion

PG&E's current Gas Rule 7, Deposits, requires a security deposit for nonresidential accounts of twice the maximum monthly bill, as estimated by PG&E. When the utility is providing traditional service for customers, two months is a reasonable time to act on payment problems. However, as PG&E has illustrated, under this new program, it may be four months before PG&E can act on a nonpayment bill.

Therefore, CACD believes that it is reasonable for PG&E to require a security deposit covering four months of service, in consideration of the required time before PG&E can act on a delinquent bill.

The security deposit required should be comparable to an amount held for other utility customer. PG&E's current customer deposit rule allows for securing two months' deposit at twice the maximum monthly bill, which includes the commodity and the transportation rates. PG&E is proposing to use the balancing penalty of 150% of

the WACOG. The extra 50% is a penalty to discourage customers from incurring imbalances under the balancing provisions.

The utility is not at risk for the penalty. It only risks replacement of the gas at the time the imbalance is incurred, given an under delivery and it risks the value of the misused capacity given a positive or negative imbalance.

The commodity costs are generally twice as high as the transportation costs. This roughly equals to:

2/3 GAS + 1/3 TRANSPORTATION // 100% GAS + 50% TRANSPORTATION

Using this analogy, 150% of the WACOG is an appropriate value to charge, because it covers the replacement of the commodity and the replacement value of the capacity. Therefore, CACD believes that PG&E should use the 150% of the WACOG balancing penalty in the equation.

CACD believes that both the 4-months' timeframe and the 150% of the WACOG value should be used to calculate the security deposit required of core aggregators and their customers. For these reasons, CACD recommends PG&E's proposed 4-month security deposit from the aggregator and 2-month security deposit from the customer based on 150% of the WACOG.

CACD agrees with PG&E's proposal to use the Annual Contracted Quantity (ACQ) in determining the monthly charges and recommends using the forecasted core WACOG from the utility's the most recent Cost Allocation Proceeding. CACD notes that PG&E's customers who have established credit with PG&E should not be required any additional or new deposits for participation in this program, and should return such deposits upon establishment of a good credit standing. PG&E should revise its tariffs to reflect the above.

<u>Price Confidentiality</u>

Sunrise/GasMark are concerned that the contract prices will not be kept confidential, since PG&E has not provided the same accounting mechanism for core aggregators as it has for noncore customers. Sunrise/GasMark request the same treatment for the G-AIG accounts as was ordered by the Resolution G-2948 for noncore, G-CIG accounts.

PG&E agrees with Sunrise/GasMark that the same level of confidentiality provided under proposed Schedule G-CIG should apply to proposed Schedule G-AIG. PG&E replies that the same confidential billing group will provide the same service for both schedules.

<u>Discussion</u>

PG&E has established a separate accounting group to handle noncore customers' buy/sell transactions. This arrangement will ensure keep the negotiated price confidential from PG&E's gas department. CACD refers further discussion of this issue to Resolution G-2959, but recommends that in order to provide the same level of confidentiality for core transportation customers, the same separate accounting group serving the noncore transportation customers should handle core transportation transactions as well. Therefore, PG&E should revise its tariffs to include this provision.

Delinquent Bills

Broad Street believes that PG&E's requirement that the aggregator agree to wave its confidentiality right when a bill becomes delinquent, as is proposed under PG&E's Rule 11, can lead to the release of sensitive information that can hurt the aggregator or the customer. Broad Street requests that certain standards be established.

According to PG&E, its confidential billing unit is not equipped to handle the collection procedure. When a bill is past due, it becomes necessary to suspend the confidentiality provision in order for PG&E's credit and collection department to start the collection process. PG&E offers that its Rule 10, disputed bills, prescribes the procedures for resolution of any disputed bills that can not be resolved between the utility and its customers.

Discussion

Resolution G-2948 approved a similar provision for noncore transportation customers, which adopted the condition that the customer waive its confidentiality rights should its bill become delinquent. CACD agrees with PG&E that when the collection procedure commences, the customer's confidentiality rights should be waived. Additional standards for procedures concerning customer responsibilities and billing are available in the utilities adopted Rules. CACD recommends no additional revisions to PG&E's tariffs regarding this issue.

Early Withdrawal/Termination Provision

Access finds Section 16 of the Agreement vague and requests clarification. Section 16 states that when a customer terminates its service with PG&E, all other customers in the group could be affected.

PG&E responds that when a customer leaves a group, other group members may become ineligible for future participation in the program if their balance falls below the minimum requirement of 250,000 therms per year. Since each member of the group is responsible for liabilities incurred by the aggregator, such as

failure to adjust nominations after a customer has left the group, the remaining members could ultimately be responsible for the balancing charges incurred as a result of such an action.

Broad Street argues that PG&E's proposed 50% penalty, applied to each therm delivered after a customer's early withdrawal and return to PG&E for gas procurement, is an excessive penalty in addition to all the other penalties.

PG&E responds that the 50% WACOG penalty for per each therm delivered after early termination reflects the cost for standby gas under the balancing service. PG&E believes that this penalty would apply only for the duration of the initial term of the customer's contract and is meant to discourage customers from taking utility sales only during the winter season.

Discussion

D.91-02-040 adopted a minimum term of 12 months for participation in the core aggregation program. CACD agrees with PG&E's interpretation that when a customer leaves the group other group members may be affected. A customer's leaving may reduce the group's annual therm quantity below the minimum requirement of 250,000 therms per year. If the aggregator fails to make the appropriate reduction, adjusting deliveries, the group members, who are ultimately responsible for all utility bills, may have to bear the additional cost. These circumstances can also affect the negotiated price between the aggregator and the producer, and imposes a gas cost on (1) other core (SL-1) customers, and then (2) non-transportation, core subscription (SL-2) customers, because the utility did not anticipate this additional demand and must supply additional gas to meet it.

For these reasons, and in the absence of any conflicting guidelines from the D.91-02-040, CACD recommends imposing a penalty for customers who terminate early from the program. This penalty will also discourage customers from taking utility gas during winter season. However, CACD believes that PG&E's proposed 50% WACOG penalty for the remainder of the term is unreasonable and harsh. This situation is similar to the circumstances disussed earlier, where the customers have been abandoned. Therefore, CACD recommends that such customers pay the core subscription rate for the remainder of their contract term, coupled with the brokerage fee and the over- or undercollection adder.

Since the penalty is based on the fact that the utility incurs additional cost to meet the customer's demands, it should be noted that this penalty should not apply to the delivery of any gas that was stored by the customer prior to the early withdrawal. PG&E should deliver the stored gas to the customers' meter with no additional penalty.

Southwest's customers withdrawing early from the program should pay the core subscription rate plus the over- or undercollection adder as well.

Minimum Average Rate Limiter

In Resolution G-2956, CACD recommended and the Commission adopted that PG&E, Southwest, SoCal and San Diego Gas and Electric Company (SDG&E) establish a tracking account to note the charges associated with the Minimum Average Rate Limiter for Mobil Home Master Meter Customers (MARL) participating in the core aggregation program.

The MARL was established in PG&E's General rate Case 1990, D.89-12-057 and applies only to PG&E. CACD corrects its Resolution G-2956 recommendation to reflect that the MARL does not apply to SoCal, Southwest, and SDG&E. CACD recommends that the Commission not require SoCal, Southwest, or SDG&E to establish a tracking account to capture costs associated with the MARL.

FINDINGS OF FACT

1. PG&E's noncore customers may receive gas prior to PG&E's core transportation customers.

2. PG&E is not offering service via Malin to its core aggregation customers, but instead is offering to reserve the maximum daily capacity at Topock.

3. Under PG&E's proposed core aggregation program, daily supply nominations via El Paso are limited to 10% of the total Topock capacity from the Anadarko basin, 20% from the San Juan basin, and 70% from the Permian basin.

4. PG&E's core aggregation program provides procurement of agent identified gas on a best-efforts basis.

5. PG&E's core aggregation program requires aggregators to identify nominations by each supply basin.

6. PG&E requires split-load customers to nominate gas based on a monthly profile consistent with historical usage for gas procured by PG&E for a period of twelve months.

7. PG&E does not allow changes in monthly nominations, but daily nominations may be ajusted upon 2-days' notice.

8. PG&E requires that when a customer purchases gas from the utility and the third party, the utility gas should be first gas through the meter.

9. PG&E's and Southwest's tariffs fail to address treatment of any core aggregation group that falls below the minimum requirement of 250,000 therms per year.

10. PG&E requires a $10 per decatherm imbalance penalty of core aggregation customers during a curtailment.

11. PG&E's balancing standards are based on the same terms and conditions as for noncore transportation customers.

12. PG&E will withdraw gas from group storage on behalf of the customers to offset imbalances and to avoid imbalance penalty charges during periods of curtailment.

13. PG&E's storage constraints limit customer flexibility for injections and withdrawals of storage gas.

14. PG&E does not allow the use of storage to offset imbalances.

15. PG&E's provisions for cancellation of the Service Agreement are vague and require revision.

16. Southwest's tariff lacks provisions for cancellation of service agreements.

17. PG&E's termination provision is consistent with Rule 11, Discontinuance and Restoration of Service, but needs minor modifications.

18. PG&E's tariffs require a 90-day notice for changes in membership.

19. Southwest's tariffs lack provisions for changes in membership.

20. PG&E's provisions for abandoned customers would only allow 30 days to select another aggregator or to return to the utility for service.

21. PG&E would serve abandoned customers under its balancing schedule until the customer selected another aggregator or a return to utility service.

22. Southwest's tariffs lack provisions for abandoned customers.

23. PG&E's tariffs allow the customer to audit the aggregator's books.

24. PG&E requires a capacity reservation deposit from the aggregator on behalf of the aggregator's customers.

25. PG&E will hold the capacity reservation deposit in a suspense account and return it to the aggregator within 180 days of establishment of the aggregator's account.

26. PG&E requires a four-month security deposit from the aggregator.

27. PG&E's tariffs fail to provide any accounting mechanism for keeping the aggregator's gas price confidential.

28. Upon commencement of PG&E's collection procedure, the confidentiality rights of customers with past due bills are waived.

29. PG&E's customers withdrawing early from the core aggregation program will be charged a 50% of WACOG penalty for every therm delivered to their meter.

30. Southwest's tariffs lack provision for early withdrawal of customers from the core aggregation program.

31. PG&E's tariffs inform the core transportation customers of the risk when a group member leaves.

32. MARL charges only apply to PG&E, not also to Southewest, SoCal, and SDG&E.

CONCLUSIONS

1. PG&E should prioritize and sequence its ordering of gas through interstate pipelines in accordance with customers' service levels and end-use priority on a best-efforts basis.

2. PG&E's proposed limitations holding a customer's nomination to proportions based on historical takes on the El Paso pipelines are reasonable.

3. PG&E should offer its agent identified gas schedule for core aggregators on a best-efforts basis.

4. Customers should be required to nominate their gas by source basins available to PG&E to assure reliable delivery of supplies.

5. PG&E should be allowed to require monthly usage nominations based on historical usage.

6. PG&E should revise its rariffs to state that daily nominations shall be adjusted two days in advance. Prior to the beginning of any month, a 3-days' notice shall be required for agent-identified daily nominations adjustments.

7. PG&E should be allowed to require the utility gas be first through the meter.

8. PG&E should provide provision for treatment of customers who fall below the 250,000 therms per year requirement.

9. Southwest should provide provision for treatment of customers who fall below the 250,000 therms per year requirement.

10. PG&E should be allowed to withdraw core aggregation gas from storage during any curtailment period in order to allow the aggregators to avoid the imbalance penalty of $10 per decatherm.

11. PG&E should not be required to allow customers the use of storage to offset imbalances at this time.

12. PG&E should revise its cancellation of the service agreement to allow for a 30-day prior written notice by the aggregator or the customer.

13. Southwest should revise its tariff to allow for a 30-day prior written notice by the aggregator or the customer for cancellation of the service agreement.

14. PG&E should revise its Rule 11, Discontinuance and Restoration of Service, to include new noticing and termination provisions for core transportation customers and aggregators.

15. PG&E should be allowed to require a 90-day notice for changes in core aggregation membership.

16. Southwest should include the 90-day notice for changes in core aggregation membership in its tariffs.

17. PG&E should revise its provision for abandoned customers to reflect that such customers will have 90 days to choose between a new aggregator or return to the utility for service.

18. Abandoned core aggregation customers in PG&E's territory should pay the core subscription rate, plus the over/undercollection adder and a brokerage fee for the duration of the contract term.

19. Southwest should revise its provision for abandoned customers to reflect that such customers will have 90 days to choose between a new aggregator or return to the utility for service.

20. Abandoned core aggregation customers in Southwest's service territory should pay the core subscription rate plus the over/under collection adder for the duration of the contract term.

21. PG&E should be allowed to provide the core transportation customers with audit rights of the aggregator's books.

22. PG&E should revise its tariff to reflect that an audit of the aggregator's books is limited to the customers' own account.

23. Upon customer's request, PG&E should forward a copy of all transactions between the utility and the aggregator regarding the customer's account.

24. Southwest should provide the core transportation customers with audit rights of the aggregator's books.

25. Southwest should note that an audit of the aggregator's books is limited to the customer's own account.

26. Upon customer's request, Southwest should forward a copy of all transactions between the utility and the aggregator regarding the customer's account.

27. PG&E should revise its tariffs to state that the capacity reservation deposit will be required from the aggregator instead of the customer.

28. PG&E should revise its tariffs to state that the capacity reservation deposit will be refunded to the aggregator within 30 days after the establishment of the aggregator's account.

29. PG&E's proposal to collect a 4-month security deposit from the aggregator and 2-month deposit from the customers is reasonable, except that PG&E should include that customers who have already established credit with the utility should not be required the new deposit.

30. PG&E should maintain its customers' price confidentiality by using a separate accounting group to handle customer transactions.

31. PG&E should be allowed to require an aggregator to waive its confidentiality rights when the utility commences a collection procedure.

32. PG&E should revise its tariffs to state that core transportation customers withdrawing early from the program should be charged a penalty by paying the core subscription rate, plus the brokerage fee and the over- or undercollection adder for the remainder of their contract term.

33. Southwest should revise its tariffs to state that core transportation customers withdrawing early from the program should be charged a penalty by paying the core subscription rate, plus the over- or undercollection adder for the remainder of their contract term.

34. Southwest, SoCal, and SDG&E should not be required to establish a tracking account to note the MARL charges.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file complete, revised set of 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 complete, revised set of 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.

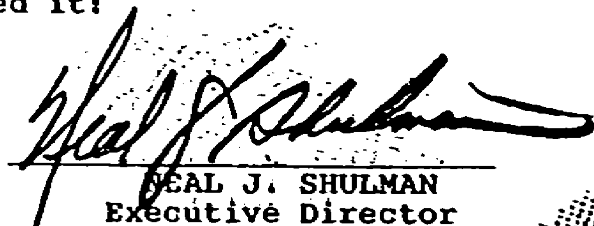
3. Pacific Gas and Electric Company and Southwest Gas Corporation shall file complete, revised advice letter and tariffs within five business days from the effective date of this resolution and to all other parties of the record as soon as possible, but no later than August 16, 1991.

4. Pacific Gas and Electric Advice letter 1637-G-A and its accompanying tariff sheets shall be marked to show that they were supplemented.

5. Southwest Gas Corporation Advice Letter 427-A and its accompanying 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:



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