PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2959
July 24, 1991

# R E S O L U T I O N

RESOLUTION G-2959. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SOUTHERN CALIFORNIA GAS COMPANY (SOCAL) AND SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E) ADVICE LETTERS TO COMPLY WITH GAS PROCUREMENT FILINGS REQUIRED UNDER DECISION 90-09-089, ET AL FOR NONCORE PROCUREMENT.

BY ADVICE LETTERS 1624-G-B AND 1651-G FROM PG&E FILED MAY 30 AND JUNE 7, ADVICE LETTERS 2009-A, 2035, AND 2048 FROM SOCAL FILED MAY 30, MAY 21, AND JUNE 7, AND ADVICE LETTERS 740-G-B AND 757-G FROM SDG&E, FILED MAY 30 AND JUNE 7, 1991.

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SUMMARY

1. Resolution G-2959 addresses a variety of protested issues due to supplemental and new gas utility advice letter filings relating to compliance with Decisions (D.) 90-09-089, 90-12-100, 91-02-022, and 91-02-046 (Procurement Decisions) and Resolution G-2948, which combine to restructure the gas industry noncore procurement market.

2. PG&E's accounting fee for targeted sales is modified.

3. Utilities must file only those noncore transportation contracts of less than five years which contain negotiated transportation rates.

4. Minor wording revisions are adopted.

BACKGROUND

1. On May 22, 1991 the Commission adopted Resolution G-2948, which conditionally approved advice letter filings required under the decisions from Order Instituting Rulemaking (R.) 90-02-008. These decisions adopted final rules changing the structure of the gas utilities' procurement practices and refined elements of the regulatory framework for California gas utilities.

2. On May 30, 1991, Pacific Gas and Electric Company filed Supplemental Advice Letter 1624-G-B, Southern California Gas

Company filed Supplemental Advice Letter 2009-A, and San Diego Gas and Electric Company filed Supplemental Advice Letter 740-G-B to comply with the procurement decisions and Resolution G-2948, which adopted modified rules from the utilities' original filings for noncore procurement.

3. Southern California Gas Company filed Advice Letter 2035 on May 21, 1991 containing a pro forma copy of its Gas Service Agreement, applicable to all noncore customers and core customers whose gas usage exceeds 250,000 therms per year, to comply with the procurement decisions.

4. On June 7, 1991, SDG&E filed Advice Letter 757-G to offer an original storage banking program for its customers, as a result of Commission approval of a revised Gas Service Agreement between SDG&E and SoCal, by Resolution G-2021, and in conjunction with the procurement decisions and Resolution G-2948.

5. Also on June 7, 1991, PG&E and SoCal filed Advice Letters 1651-G and 2048 respectively, containing details of the programs and bidding rules for sales of excess core gas, as established under the procurement decisions and ordered under Resolution G-2948.

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

PROTESTS

1. The California Industrial Group, California Manufacturers' Association and the California League of Food Processors (CIG) jointly submitted a protest to PG&E's Supplemental A.L. 1624-G-B, relating to the main procurement filings, on June 14, 1991. PG&E replied to the protest on June 26, 1991. The California Cogeneration Council (CCC) also submitted a protest to PG&E's A.L. 1624-G-B. PG&E replied to this protest on June 27, 1991. In addition, the Commission Advisory and Compliance Division (CACD) received relevant comments from Procter and Gamble Manufacturing Company (Procter & Gamble) regarding PG&E's A.L. 1624-G-B on May 30, 1991.

2. Southern California Edison Company (SCE) and CIG protested SoCal's Supplemental A.L. 2009-A, relating to the main procurement filing, on June 19 and June 14, 1991, respectively. SoCal responded to the protests in a combined reply dated June 28, 1991.

3. The California Industrial Group, California Manufacturers' Association and the California League of Food Processors (CIG)

filed a protest to SDG&E's Supplemental A.L. 740-G-B, relating to the main procurement filing, on June 14, 1991. SDG&E responded to the protest on June 24, 1991.

4. The City of San Bernardino (San Bernardino) protested SoCal's A.L. 2035, containing the pro forma contract for the revised industry structure on June 14, 1991. San Bernardino agreed to withdraw its protest in a letter of agreement with SoCal dated July 11, 1991.

5. University Cogeneration (University Cogen) submitted a protest to SDG&E's A.L. 757-G, relating to its new storage banking program on June 27, 1991. SDG&E submitted a reply to the protest dated July 8, 1991.

6. The Division of Ratepayer Advocates (DRA) submitted a protest on June 27, 1991 to PG&E's A.L. 1651-G and SoCal's A.L. 2048, which contain the filings relating to sales of excess core gas. The utilities responded to the protests on July 11, 1991.

## DISCUSSION

### Accounting Fee

CIG objects to the $0.004/decatherm accounting fee charge incorporated into the rate section of PG&E's Schedule G-CIG, which provides a buy/sell arrangement for customers for transporting gas. CIG believes that this charge is excessive. CIG further argues that there is no reason to believe that accounting fees are directly proportional to the volume of gas purchased on behalf of a given customer.

Procter and Gamble also objects to the imposition of the accounting fee under PG&E's Schedule G-CIG. It states that this fee amounts to over $1,200 per month for its local plant in Sacramento, and amounts to over $650,000 per year for all of PG&E's Schedule G-CIG customers. Procter and Gamble comments that this seem rather high for the mere service of paying and rebilling gas charges. In addition, Procter and Gamble reasons that since the charges are not incurred on a volumetric basis, they should not be billed on a volumetric basis. It argues that if a charge is to be levied, it would be more fairly distributed as a set charge per contract.

PG&E responded to the protest by attaching workpapers to document the calculation of the proposed charge. It states that its proposed accounting fee is to offset the administrative costs associated with the development and maintenance of a separate accounting group, which was ordered by the Commission to provide price confidentiality for customers participating in its customer identified gas program.

Similarly, CIG protests the procurement fee applicable to SoCal's Targeted Sales, Schedule G-TARG (A.L. 2028). CIG states that this schedule is not a part of SoCal's A.L. 2009 filing and that Resolution G-2948 did not address the issue of whether a procurement or brokerage fee should apply to buy/sell arrangements. CIG requests the Commission to resolve the issue. CIG states that in prior protests it has opposed imposition of a procurement fee on targeted sales, since the customer has the responsibility for arranging for the purchase of the identified gas supplies. CIG renews its protest on this issue and requests the elimination of the procurement fee from SoCal's targeted sales provisions.

SoCal responds that it has deleted the brokerage fee provision from its Schedule G-TARG tariff by A.L. 2028-A, dated June 13, 1991, and consequently, states that there should be no issue in dispute.

Discussion

PG&E's establishment of a separate accounting group to handle noncore customer's buy/sell arrangements is designed to assure price confidentiality negotiated between the customer and its producer from PG&E's gas department. These measures attempt to ensure the development of a more competitive gas market, so as not to disadvantage customers by revealing sensitive price information.

In a meeting with PG&E, CACD learned that PG&E had contracted with Price Waterhouse to conduct a study to estimate the costs associated with developing and maintaining a group separate from its gas department to handle the accounting and billing transactions for these customers. It is this study which PG&E has attached as its response to the protest.

PG&E has not offered any alternatives. PG&E has not stated why this method is preferred or required over SoCal's method, which simply charges the utility WACOG (weighted average cost of gas) and passes this on to the producer, with the producer and the customer settling the differences. CACD does not desire to recommend adoption or denial of PG&E's proposed costs, since the program implementation date is so near. Instead, in consideration of the perceived need to establish a means to assure price confidentiality, CACD recommends the following treatment of PG&E's proposal until these costs can be properly adjudicated in a proceeding.

PG&E should be placed at risk for these costs. It should establish a memorandum account to track the costs, until the amount can be addressed in its next General Rate Case Proceeding, Test Year 1993 (TY'93). The funds collected should be subject to refund to the specific customers affected, with interest calculated using the 3-month commercial paper rate.

There is no evidence supporting that the establishment of the separate accounting unit and the ongoing transactions bear any relationship to the volumes of gas handled. Therefore, CACD recommends that the interim rate design not be made on a per therm basis. CACD suggests that instead either an hourly set charge per transaction be used or that a set customer charge be established to apportion these costs. Other rate designs should be explored in the general rate case. In the interim, CACD recommends that PG&E use one of the two alternatives suggested above rather than the per therm rate design.

As-Available Capacity

CIG argues that PG&E's Schedule G-CIG, the buy/sell arrangement for transporting customer identified gas, should be revised because it erroneously limits the service to PG&E's stated 450 MMcf/day capacity, excluding any mention of as-available service for customers under Service Levels 3-5, as was adopted under Resolution G-2948.

CIG recommends that the "Applicability" section of PG&E's proposed Schedule G-CIG for its Customer Identified Gas program be changed to read that service under that schedule is limited to 450 MMcf/day for customers on Schedule G-FT for Firm Transport only. CIG also recommends that language in the "As-Available Service" section of the tariff be incorporated into the "Applicability" section, since as-available service to Service Level 3-5 customers would have no specific limit.

PG&E agrees that the as-available service under Schedule G-CIG will not be limited to the 450 MMcf/day that is available for allocation in conjunction with Service Level 2 during the Open Season. PG&E is not opposed to the changes suggested by CIG.

Discussion

Under Resolution G-2948, the Commission provided that PG&E's stated capacity for firm transportation customers should be made available to interruptible customers on a nondiscriminatory, as-available basis. PG&E's supplemental filing fails to expand the applicability of its Schedule G-CIG for buy/sell arrangements to include as-available transportion for interruptible Service Level 3-5 customers.

In addition, PG&E's schedule limits transportation to 450 MMcfd of available capacity. This limitation applies to the firmer capacity arrangements available to Service Level 2 customers. CIG argues that no limitation should exist for as-available transport customers. PG&E agrees with this and CACD also supports this interpretation. CACD recommends that PG&E modify its applicability section under Schedule G-CIG to provide as-available transportation for Service Level 3-5 customers and to specify that as-available service is only limited to the amount of remaining capacity available.

Alternate Fuel Requirements

CIG protests PG&E's proposed rate schedules for noncore customers, for they continue to include a section entitled "Standby Fuel Requirement", which states that "(t)o receive service under the schedule, the customer must have adequate standby equipment installed and alternative fuel ready at all times for immediate operation in the event that natural gas transportation service is interrupted or curtailed in whole or in part".

CIG relates that in a subsequent part of this section, PG&E includes language in response to Resolution G-2948 stating that customers previously served under Schedules G-IND and G-P2B may receive service on the schedule in question without continuing to maintain standby facilities. CIG argues that these provisions are inconsistent, are confusing to customers, and fail to convey the true intent of Resolution G-2948, which eliminated the alternate fuel capability requirement. CIG requests that the title "Standby Fuel Requirement" and the first sentence of the section be deleted.

PG&E states that while eliminating the alternate fuel requirement would simplify the utility's job of reviewing noncore customer qualifications, PG&E does not believe Resolution G-2948 intended to eliminate the alternate fuel requirement in its entirety. PG&E states that it interprets Resolution G-2948 to repeal the alternate fuel requirement for those customers having existing standby facilities, but not to fully eliminate the alternate fuel requirement. Therefore, PG&E interprets G-2948 to be a grandfathering provision requiring specific utility notice for customers with existing alternative fuel systems. PG&E believes its tariff correctly states the CPUC's intent, that noncore customers are required to have alternate fuel systems, except for specifically-identified grandfathered customers.

CIG objects to SoCal's Special Condition 12 of Schedule GT-30 and Special Condition 15 of Schedule GN-32, which require customers to notify SoCal if the customer makes any change in its alternate fuel capability. CIG also objects to SoCal's Rule 1 definition of alternate fuel capability for it contains wording that is no longer valid: "having alternate fuel facilities installed, permitted and capable of use on a sustained basis ...". CIG argues that retention of these statements is inconsistent with Resolution G-2948, which modified the requirement that noncore customers have alternate fuel capability.

SoCal states that although Resolution G-2948 modified alternate fuel requirements, it did not address whether a customer must notify SoCal of a change in alternate fuel capability. SoCal argues that such information is an important part of its data base so that it can maintain knowledge of which customers may have alternate fuel capability in the event of curtailment. SoCal states that no other party has claimed that such a requirement is burdensome to customers. SoCal requests that the

Commission approve its tariff language requiring customers to notify SoCal of any change in their alternate fuel capability.

Regarding the alternate fuel capability under Rule 1, SoCal states that CIG misunderstands the purpose of the "definitions" of Rule 1. SoCal states that this language merely defines the term, but does not indicate the circumstances under which the term might apply. SoCal adds that although Resolution G-2948 has limited the circumstances in which SoCal may require alternate fuel capability, it did not change the definition of the term.

CIG cites a portion of Special Condition 17 under SDG&E's Schedule GTNC for noncore transportation customers regarding a customer's alternate fuel capability, and recommends that it be modified to delete reference to customers being required to maintain alternate fuel capability. SDG&E concurs with CIG that this provision requires modification, and will file a revision to Schedule GTNC, Special Condition 17 to make this change.

Discussion

Under Resolution G-2948, CACD recommended adoption of CIG's proposal to not require customers with installed alternate fuel facilities to continue to maintain the facilities or the standby fuel, since current and future changes in air quality regulations generally prohibit the burning of alternative fuels, such as oil. CACD also recommended that such customers continue to curtail use of gas when requested to do so by the utility and that an electronic meter be installed at the customer's expense to insure that the customer curtailed when the utility requested it to do so. The Commission adopted these changes.

To restate, these conditions are:

1. Customers unable to use their installed alternate fuel systems due to air quality regulatory changes are relieved of a utility and CPUC requirement to maintain such systems.

2. Customers with systems permitted under current and future air quality rules should continue to maintain their systems.

3. Customers meeting economic feasibility tests to qualify for noncore status (not having alternate fuel systems installed) must continue to submit to this process on an annual basis to maintain noncore status.

4. All customers under these various arrangements must curtail when requested to do so. If they do not curtail, they will face a $1/therm penalty. In addition, all of these customers must install an electronic meter to verify that they curtailed when they were requested to do so.

In light of the above, PG&E is correct that the alternate fuel requirement is not entirely removed, because some systems can and should be maintained to provide customers alternatives to complete cessation of work. SoCal is also correct that Resolution G-2948 did not address the additional utility requirement that customers notify SoCal if their alternate fuel systems change. CACD sees no reason to modify this utility requirement. Among other reasons, such a change might affect a customer's end-use priority. CACD does recommend that PG&E, SoCal and SDG&E clarify their statements describing alternative fuel "requirements", so that customers are aware of the modifications and the particular circumstances where such systems are and are not required.

Cogeneration Gas Allowance

The CCC protests the fact that PG&E's Supplemental Advice Letter 1624-G-B does not include a Cogeneration Gas Allowance (CGA) based on PG&E's most recent Energy Cost Adjustment Clause (ECAC) proceeding. CCC expresses a concern that PG&E's CGA is based on an Incremental Energy Rate (IER) that is two years out of date.

PG&E responds that in its A.L. 1518-G, dated January 10, 1989, it requested that the CGA be revised to reflect the IER adopted in PG&E's 1988 ECAC, D.88-12-040. PG&E states that protests by various parties, including CCC, led the CACD staff to defer action until the issues surrounding the protests had been resolved. In response to CACD's initial request, and in light of Resolution G-2946, PG&E withdrew A.L. 1518-G and its supplements on June 26, 1991. In the absence of a more currently adopted value, PG&E states that it has used the most recently adopted CGA in A.L. 1624-G-B. PG&E adds that in compliance with Resolution G-2496, which ordered SoCal, SDG&E and PG&E to file revised CGAs, PG&E has now filed A.L. 1653-G, on June 26, 1991.

Discussion

PG&E states that the revised CGA found in its supplemental filing 1624-G-B is the most recently adopted CGA available. PG&E also states that it has submitted a newly revised CGA in a more recent filing on June 26, 1991. CACD confirms that PG&E has filed an updated CGA in its A.L. 1653-G filing, increasing the current allowance from 0.093 therms/kWh (kilowatt-hour) to 0.09902 therms/kWh, as adopted in its last ECAC proceeding, D.90-10-062. CACD believes that receipt of PG&E's latest advice letter should allay CCC's concerns about PG&E complying with Resolution G-2946, or that the CGA contained in A.L. 1624-G-B is out of date. CACD will process the CGA advice letter according to General Order 96-A.

Curtailments

SCE protests SoCal's Supplemental Advice Letter 2009-A filing in general, stating that it fails to answer many questions that have been raised regarding curtailments on the SoCal system after the new rules are implemented, and that confusion remains. In addition SCE requests a description of SoCal's nominating procedures and how SoCal will nominate customers' gas under the new system. SCE recommends that the Commission delay approval of the advice letter until after SoCal has fully explained how its rules will be implemented. It also requests this delay so that those impacted by the new rules are better able to assess the potential impact of the rules. SCE suggests that the CACD host a workshop, or if necessary, the Commission hold a limited scope hearing for the purpose.

SoCal replies that SCE's protest fails to allege that SoCal's A.L. 2009-A filing is not in compliance with Commission decisions and that instead, SCE seeks a delay for which there is no basis. SoCal remarks that it plans to continue its meetings with SCE to explain its curtailment procedures, but that this should not deter implementation or approval of its advice letter.

Discussion

CACD agrees in general with SCE that curtailment and nomination procedures as outlined by SoCal, as well as those of SDG&E and PG&E need further discussion and definition. However at this time, any delay in the implementation of the procurement decisions and resolutions will create havoc with customers' contracted arrangements. The Commission encourages the utilities and customers such as SCE to initiate conferences and to develop proposals to refine the current rules for nominations and curtailments. Implementation will commence on August 1, 1991 with no delay.

Use-Or-Pay Forgiveness Provisions

CIG objects to SoCal's omission of the Commission adopted provisions under D.90-09-089 which would forgive use-or-pay penalties in the event that the customer's usage falls below the required level "due to service interruptions imposed by the utility or upstream pipeline or *force majeure* conditions". CIG points to Schedule GN-32, Special Condition 11 and Schedule GT-30, Special Conditions 14(e) and (1), which allow for intrastate conditions but exclude interstate conditions. CIG requests that the appropriate language be incorporated into SoCal's tariffs.

SoCal replies that the omission of language forgiving use-or-pay penalties as a result of interruptions caused by an upstream pipeline was inadvertent. SoCal replies that this error will be corrected by a supplemental filing.

Discussion
SoCal has included language required to forgive use-or-pay penalties as a result of an interruption caused on the intrastate system, but has omitted the inclusion of similar language applicable to the interstate system. CACD agrees that SoCal needs to correct this omission and recommends that it expand its conditions to forgive use-or-pay penalties due to a *force majeure* condition applicable to both the intrastate and the interstate systems.

Curtailment of Standby Service
CIG states that to be consistent with the provisions of Resolution G-2948, SoCal should modify its Rule 23 covering curtailments. CIG argues that application of the $1/therm penalty should be applied only to customers who are specifically requested to curtail and who fail to do so. CIG states that there is no reason to link the $1/therm penalty to the balancing provisions.

CIG argues that Service Level 2 or 3 customers who are out of balance by more than 10 percent on any given day should not be penalized because curtailments are being applied to Service Level 4 and 5 customers. CIG argues that any attempt to convert the monthly balancing provisions of D.90-09-089 into daily balancing provisions would disrupt the service level choices customers have already made during the open season process. CIG recommends, that to the extent there are curtailments imposed upon a given service level, standby gas should not be available to customers within that service level during curtailment periods.

SoCal replies that CIG apparently is unaware that the Commission has specifically ruled that "standby service shall have the lowest priority during periods of curtailment". (D.90-09-089, Appendix A., p.8) SoCal states that by this language, the Commission recognized that it is unfair for lower priority customers to be curtailed, or curtailed further than necessary, simply because customers with a higher priority of service are not in balance.

SoCal defends that its proposed Rule 23 does not require customers to balance deliveries and usage on a daily basis, but that it will only require that customers balance deliveries and usage during a particular curtailment period. SoCal states that it plans to read each meter at the beginning and the end of each curtailment period, and will keep track of imbalances for the period entirely separate from imbalances occurring outside the curtailment period. For such imbalances outside the curtailment period, SoCal states that the customer will be able to trade imbalances and will not be subject to the $1/therm penalty.

SoCal states that although it is not required to offer the 10% imbalance range for usage during curtailment periods, it has

decided to do so in the spirit of helping customers avoid economic penalties.

SoCal states that, contrary to CIG's interpretation of its Rule 23, it will not impose penalties even though the customer's own transportation gas is delivered into the SoCal system and the customer has not been asked to curtail his own usage. Also, daily balancing will not be required, nor will curtailment penalties be made without any prior notice. SoCal states that it will endeavor to make every effort to provide at least 48 hours notice of any curtailment through a letter, phone call, facsimile, the electronic bulletin board system or some combination of these forms of communication.

SoCal also states that rather than eliminating the distinction between the priorities of service, SoCal will continue to recognize the distinction between service levels for regular transportation service. SoCal argues that since the Commission has not made distinctions between service levels for standby service, that it will comply by curtailing standby service before curtailing regular transportation service.

Discussion

CIG requests that standby service be available to each of the service levels, so that no higher service level will be impacted by a curtailment to a lower service level. CACD confirms that Standby Service under SoCal's Rule 23, as prescribed by D.90-09-089, has a lower priority than any of the service levels, and will be curtailed in reverse order before any service level gas is curtailed. CACD also confirms that SoCal's Rule 23 does not require customers to balance deliveries on a daily basis, but instead provides that during a declared curtailment, customers will be required to maintain a balance within their monthly nomination limits plus the 10% tolerance band. Standby service will be available to core Service Level 1 as well as core subscription and transportation Service Level 2 customers, but the balancing penalty will apply to SL-1 when service is curtailed to SL-2.

CACD believes that the conditions outlined by SoCal above will provide a flexible service for transport customers, even under curtailments. CACD recommends that SoCal retain the provisions discussed above, as filed under its Rule 23.

Imbalance Trading

CIG requests clarification of SoCal's Rule 30, Transportation of Customer-Owned Gas, under the conditions outlined for imbalance trading. It objects to Section B.(3) where it is stated that customers can trade imbalance quantities up to and within, but never exceeding, the 10 percent tolerance band. CIG states that it appears that the intent of this language is to prevent customers from trading imbalances where such trades would cause

the customer to exceed the 10 percent tolerance level. CIG requests that this language be clarified accordingly.

SoCal states that it agrees with CIG's interpretation of Rule 30(B)(3), that customers are prevented from trading imbalances where such trades would cause the customer to exceed the 10% tolerance level.

Discussion

SoCal and CIG are in agreement regarding the transportation Rule 30 provision on the 10% tolerance band. However, it appears that the language used by SoCal could be improved by removing the additional phrases of "up to" and "within", by stating only that the customer must not exceed the 10% tolerance level. CACD recommends that SoCal revise this provision accordingly.

Industrial and P2B Classifications

CIG protests SoCal's supplemental procurement filing on the grounds that it continues to maintain a distinction of the Priority 2B (P2B) classification from other industrial classes. CIG states that under D.91-05-039, the Commission adopted seasonally differentiated rates and agreed to eliminate any distinction between the P2B class and other industrial classes for rate purposes. CIG adds that although the failure to merge these two rate classes may be an oversight, SoCal should be required to make this change.

SoCal replies that CIG's point is premature. It states that the Commission has only required that SoCal file its proposed rate design no later than ten days before implementation (August 1, 1991), according to D.91-05-039, Conclusion of Law No. 3, Ordering Paragraph No. 1. SoCal states that it will adhere to the Commission's schedule and will make its filing showing specific rates no later than ten days before implementation.

Discussion

Decision 91-05-039 states that the utilities shall file tariffs implementing rate design changes "no later than 10 days prior to the date upon which the rates are to become effective", which will be August 1, 1991. CACD expects to receive filings from each of the utilities no later than Friday, July 19, 1991.

Surcharge Revenues

CIG protests SDG&E's proposal to collect the Service Level 2 (SL-2) surcharge revenues over a two-year period and then credit the revenues to interruptible customers in its next cost allocation proceeding, as described under its Preliminary Statement (para. 13(b)) and under Special Condition 15 of Schedule GTNC, for transportation of noncore gas. CIG cites that D.90-09-089

contemplates that surcharge revenues will be credited on a forecast basis to interruptible customers, and as such, that there is no basis to support retention of the surcharge revenues as is proposed. CIG argues that with the expected implementation of capacity brokering, many of the new procurement rules will not be retained and fears that interruptible customers will not receive the full amount of credit to which they may be entitled.

CIG suggests that the Commission require SDG&E to forecast SL-2 surcharge revenues and provide a credit against the interruptible default rates on an annual basis. CIG states that thereafter, the forecasted revenues can be trued-up to reflect actual experience in accordance with the procedures adopted in the Commission's procurement decisions and Resolution G-2948.

SDG&E argues that its proposal to return surcharge revenues in its next cost allocation proceeding is not inconsistent with either the procurement decisions or Resolution G-2948. SDG&E states that CIG's proposed treatment would have it forecast SL-2 surcharge revenues and provide an immediate credit against the interruptible default rates on an annual basis, subject to a true-up reflecting actual experience. SDG&E argues that such an approach would place it at risk for the forecast of customer elections, and could subject customers to the same type of rate fluctuation at true-up time as CIG objects to in its outstanding Petition to Modify Resolution G-2948.

SDG&E also objects to CIG's proposed treatment on the grounds that it would require SDG&E to take funds fully subject to return to customers and to transfer them immediately to noncore customers, where only 75% is subject to balancing account coverage. SDG&E argues that this has the effect of enlarging SDG&E's risk, while providing no real, long-term benefit to customers.

Discussion

The distribution of the surcharge revenues to interruptible customers was discussed under Resolution G-2948, page 51. CACD cited D.90-09-089, which adopted the Settlement's pricing provisions:

1) charges for Service Levels 3-5 would be at the default rates, subject to negotiation;

2) the revenues from the 1.2¢/therm surcharge would be credited on a forecast basis against the default rates applicable to customers in Service Levels 3-5; and,

3) a tracking account would be established to protect the utilities from forecast errors.

CACD also cited D.91-02-046, which stated:

> "We will direct the utilities to provide estimates to their transportation customers of rebates they may receive at the end of the ratemaking period, based on demand for various transportation services. Alternatively, as PG&E suggests, they may credit interruptible rates immediately based on forecasted demand, subject to adjustment at the end of the ratemaking period."

CACD then outlined that the issue raised was *when* surcharge revenues were to be credited to noncore customers. "Neither SoCal nor SDG&E prefer to forecast these revenues. SDG&E would credit them at the end of a ratemaking cycle adding interest to the balance, while SoCal would true-up the accumulations on a monthly basis. PG&E prefers to forecast the revenues, credit customers on a regular basis, and adjust the final amounts at the end of the ratemaking period". CACD recommended that all three utilities distribute the forecasted or actual funds consistently, preferably on a monthly basis. However, because SDG&E had complied with the decisions, CACD could not recommend to the Commission that it order SDG&E to change its stated method. CACD has no additional recommendations to make to the Commission concerning this issue. CIG should submit a petition to modify D.90-09-089 and Resolution G-2948 regarding this issue.

Public Filing of Gas Service Agreements

The City of San Bernardino (San Bernardino) filed a protest to SoCal's Advice Letter 2035 on June 14, 1991. This advice letter contains a pro forma copy of the Gas Service Agreement applicable to service for all noncore customers and those core customers whose gas usage exceeds 250,000 therms per year. The Gas Service Agreement (Form No. 6533) is to replace the current Contract for Gas Service (Form No. 6412).

In the body of the advice letter, SoCal requests authorization to submit to CACD only those agreements for noncore transmission service which contain negotiated rates, rather than to submit all the noncore transmission contracts. In addition, SoCal requests that only the negotiated contracts be made available to the public.

San Bernardino asks the Commission to deny both portions of SoCal's request, for it believes that keeping the entire agreements open to public scrutiny serves a valuable public purpose. San Bernardino argues that public disclosure of these agreements in their entirety is the cities' only effective means of determining the extent of gas bypass taking place within their boundaries. The information is used by the cities to verify and forecast revenues derived from their gas franchise agreements and utility users' tax ordinances. San Bernardino argues that this information is needed for both long- and short-term noncore agreements.

San Bernardino also comments that due to the recent changes in the gas industry, cities such as San Bernardino can become noncore customers themselves, or combine their municipal gas requirements with the gas needs of larger industrials within their boundaries to develop joint gas supply activities. San Bernardino asserts that public access to the noncore customer agreements provides cities and other potential noncore customers the necessary information to locate potential partners with which to pursue possible joint ventures.

On July 12, the City of San Bernardino withdrew its protest of SoCal's advice letter 2035, conditioned upon a letter presented by SoCal and discussed below.

Discussion

Under D.86-12-009 (p.39) which provided the original rule changes for the gas restructuring, the Commission expressed its concern regarding misuse of the pricing flexibility it was adopting and consequently ordered the utilities to submit to CACD under confidentiality rules copies of all contracts for noncore transmission service less than five years in length. Under D.87-03-044, the Commission removed the confidentiality provisions of D.86-12-009 for these contracts, in order to provide the public with information about which customers had negotiated transportation rates and which ones did not. In a related decision, D.88-03-085, the Commission further ordered that such contracts would be submitted to CACD within five days of their execution and would be made available by utilities for public inspection at their general offices. Contracts with terms greater than 5 years are submitted to the CACD under an advice letter.

In its advice letter, SoCal submits that since the initial implementation of the gas restructuring, it has been burdensome to copy a 20-page contract for each of its 1,000 noncore customers, when fewer than 10 percent of those contracts contain negotiated rates; most customers pay the default transportation rate. SoCal also states that it has been concerned with providing public access to customer-specific data, such as employee names and gas broker and gas usage data, available under the contracts, in addition to the contract rate information, which had been the Commission's primary concern.

SoCal held a discussion with San Bernardino and wrote a follow-up letter outlining the concerns and clarifications that resulted from this meeting. In the letter, SoCal states: "Our discussion of July 11 clarified the City's objection: continued access to the current level of information about customers who transport natural gas on SoCalGas' system."

The letter continues, stating that "[s]ince the current public access file does not contain volume information, it does not aid any entity in the verification and forecasting of revenues from gas franchise agreements and utility user tax ordinances.

However, the file does provide information on potential gas supply partners and opportunities".

SoCal then promises to meet the City's need for information available in the public access file for those customers transporting natural gas within the city limits. SoCal then states that a listing of names and addresses can be generated on a regular basis for all such customers. Under these conditions, the City of San Bernardino withdrew its protest.

CACD admits that the volume of all the contracts submitted by SoCal, by PG&E and by SDG&E, containing negotiated and default contracts of customers for transportation and sales of less than five years, is cumbersome. The contracts are also difficult to organize in a file to provide public access, which is also unwieldly for the public to review. Additionally, CACD has had very few requests to view these files, and would prefer to house only those contracts containing negotiated rates with summary information available from the utility by request. CACD recommends that the Commission modify its current requirement to instead require that the utilities and CACD only provide public access to all transportation contracts which contain negotiated rates, rather than include those containing default rates as well.

In addition, should the public need access to the utilities' customers for the purpose of locating potential partners for transporting gas, such information will be available through the use of the utilities' electronic bulletin boards. CACD believes that this accessability should provide sufficient information access, while protecting customers' rights to confidentiality.

SDG&E Storage Banking Program

University Cogeneration (University Cogen) filed a protest to SDG&E's Advice Letter 757-G on June 27, 1991. This advice letter contains SDG&E's newly proposed Schedule G-STORE and a pro forma contract, which will be used in providing SDG&E noncore customers access to the storage rights held by SDG&E under its contract with SoCal. University Cogen argues that the filing is internally inconsistent and protests that the proposed schedule would unduly discriminate against SDG&E customers electing to procure gas from SDG&E by denying them access to the schedule.

University Cogen points to inconsistencies between SDG&E's proposed schedule and its proposed pro forma contract, where the schedule allows only self-procuring noncore and UEG customers to participate, while the contract additionally provides that "customers procuring gas supplies from the utility shall receive storage service as part of their services provided by the utility".

University Cogen asserts that there is no reason to distinguish a utility procurement customer from a self-procurement customer and that both customers should be afforded the opportunity to participate in SDG&E's storage program. University Cogen states that although the contract announces that "utility procurement customers may receive storage as part of their service provided by the utility", such a statement is insufficient to guarantee that utility procurement customers may also participate under the program, since these customers are excluded from the applicability section of the tariff. University Cogen recommends that SDG&E clarify this inconsistency to reflect that any noncore customer may participate in the storage banking program.

SDG&E responds that University Cogen is correct that as proposed, its advice letter is inconsistent and discriminatory. SDG&E states that it will refile a supplemental advice letter to allow utility procurement customers to participate in its storage program.

Discussion

CACD concurs with University Cogen that as proposed, SDG&E's storage program inconsistently allows its procurement customers to participate under the contract, but does not include these customers in the applicability section of the storage schedule. As a consequence, these customers are excluded from participating. SDG&E has promised to revise this inconsistency in its supplemental filing, to provide a nondiscriminatory storage service to both self-procuring and utility-procuring customers.

Excess Core Gas Sales Filings

DRA protests SoCal's Advice Letter 2048 and PG&E's Advice Letter 1651-G establishing tariffs for sales of excess core gas. DRA requests that the Commission reject the advice letters as filed and also recommends that the Commission reconsider its directives concerning the sales of excess core gas.

Operational Impacts

DRA believes that the advice letters may have serious repercussions in how the utilities manage their core procurement and gas storage operations, and that the sale of core gas by the utilities should not be encouraged. DRA believes that the utilities should not be in the business of marketing gas.

Instead, DRA believes that the utilities should be managing their core gas procurement and gas storage properly, so that selling core gas at the pipeline receipt point should not be necessary. DRA is concerned that by allowing the utilities to sell excess core gas in order to avoid contractual penalties, the Commission is sending an improper signal by indirectly encouraging the utilities to enter into contracts with associated penalties. DRA

states that the sale of core gas by the utilities should be limited to only those infrequent instances when it is operationally infeasible to move the gas into storage.

Both PG&E and SoCal disagree with DRA. PG&E states that contrary to DRA's suggestion that the submission of an excess sales gas tariff may be inappropriate, the Commission's rules provide for reasonableness review of all utility sales of excess core gas to noncore customers. SoCal adds that it is in the best interest of the ratepayers, the shareholders, and the Commission for any contractual penalties to be be avoided or mitigated in the first place through the sale of excess core gas.

Jurisdictional Impacts

The adopted rules for the sales of excess core gas preclude the utilities from using their interstate capacity rights to transport excess gas. The utilities must transfer ownership of the excess core gas at the pipeline receipt points out-of-state.

DRA is concerned that, based on the differing and ambiguous language used by PG&E and SoCal regarding such a sale, it is not clear that the utilities can conduct the sales of excess core gas outside of California without being subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). DRA warns the Commission that out-of-state sales made by the utilities may lead to jurisdictional problems and complications.

PG&E's filing states: "No sale will be made under this excess supply schedule which will subject PG&E to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under provisions of the Natural Gas Act".

On the other hand, SoCal's filing states: "Inasmuch as transferred ownership of the gas will take place at pipeline receipt points on the interstate pipeline system outside California, any sale of excess core gas is contingent upon authorization of such sale by the Federal Energy Regulatory Commission. Such authorization must permit the sale of excess core gas without affecting the status of the Utility under Section 1.(C) of the Natural Gas Act".

DRA believes that the tariffs setting forth the sale of excess core gas outside of the intrastate market will lead to future problems and will cause the Commission to revisit the issue again.

PG&E responds that without the ability to transport the excess core gas using their own interstate capacity rights to California for resale, the utilities' sale of excess core gas would be subject to FERC jurisdiction, but that PG&E would comply with the applicable FERC regulations. SoCal replies that DRA misreads both its and PG&E's statements quoted above. SoCal asserts that it is consistent for PG&E to state that no excess sale will subject it to the jurisdiction of the FERC and for SoCal to state

that any sale is contingent upon authorization of such sale by the FERC but without affecting the status of SoCal under Section 1(c) of the Natural Gas Act (NGA). SoCal believes both provisions to mean that excess sales will be conducted in such a manner as to protect the Hinshaw exemption afforded the utilities under the NGA.

Bidding Programs

Under the adopted rules, the utilities must provide sales of excess gas under a bidding program. DRA criticizes SoCal's requirements of prospective participants, which causes bidders to prequalify by meeting certain financial criteria and/or submitting a security deposit as a prequalification to bidding participation. DRA notes that SoCal offers no details on the standards or rationale for the prequalification procedure, and that PG&E places no such requirements on prospective bidders.

DRA is additionally concerned that, given the very limited disclosure on the SoCal prequalification requirements, SoCal could potentially discriminate against certain participants, in its determination of which parties qualified.

SoCal responds that its inclusion of prequalification language will simply allow it to establish a list of parties to be contacted in the event that an excess core gas sale appears necessary. SoCal states that given the time constraints involved and the size of the possible transactions, it will be necessary for such parties to meet certain standards to be placed on such a list, so that it contacts only serious, financially capable parties.

Discussion

The Commission has required the utilities to file tariffs outlining the sale of excess core gas. The tariffs would be exercised in order to avoid contractual penalties, which might otherwise be passed on to California ratepayers and shareholders. DRA's primary concerns seek to modify the Commission's decisions ordering the utilities to file these tariffs. CACD recommends that DRA submit its concerns in a petition to modify the procurement decisions.

FINDINGS

1. PG&E's accounting fee amounts to over $650,000 per year for all customer identified gas sales customers.

2. The purpose of PG&E's accounting fee is to offset the administrative costs associated with the development and maintenance of a separate accounting group to maintain price confidentiality.

3. SoCal has deleted the brokerage fee from its targeted sales schedule to comply with Resolution G-2948.

4. PG&E's customer identified gas schedule erroneously limits the service to Service Level 2 customers, excluding as-available service to Service Level 3 customers.

5. As-available transportation service is limited only to the amount of remaining, unused capacity.

6. The alternate fuel requirement is repealed for those customers having installed facilities where use will be not be permitted due to air quality regulations.

7. Customers with installed but unusable systems due to changed air quality regulations must curtail when requested to do so.

8. PG&E has not included a Cogeneration Gas Allowance based on PG&E's most recent ECAC proceeding in its supplemental procurement filing.

9. PG&E has included an updated Cogeneration Gas Allowance in a new advice letter filed in June.

10. Implementation of the gas procurement decisions will occur on August 1, 1991.

11. SoCal has omitted language required to forgive use-or-pay penalties as a result of an interruption caused on the interstate system.

12. Standby service shall have the lowest priority during periods of curtailment and shall be curtailed prior to curtailment of the service levels.

13. Standby service will be available to SL-1 and SL-2 customers, but a balancing penalty will apply to SL-1 when service is curtailed to SL-2.

14. SoCal's Rule 23 does not require customers to balance deliveries and usage on a daily basis, except under curtailment conditions.

15. SoCal requires that customers balance deliveries and usage on a daily basis during a defined curtailment period, but will be allowed their monthly nomination limits plus the 10% tolerance band.

16. SoCal customers may not trade imbalance quantities exceeding the 10% tolerance band.

17. SoCal's procurement filing continues to make a distinction between the P2B and industrial classes.

18. SDG&E will credit surcharge revenues at the end of a ratemaking cycle, adding interest to the balance.

19. The utilities submit copies of all contracts for noncore transmission service of less than five years to CACD.

20. The utilities submit all contracts for noncore transmission service for greater than five years by advice letter.

21. Fewer than 10% of SoCal's noncore transmission customers have negotiated transmission rates.

22. SDG&E's proposed storage program erroneously excludes procurement customers from participation.

23. The utilities may not use interstate capacity rights to transport excess gas.

24. The utilities must transfer ownership of excess core gas at the pipeline receipt points out-of-state.

CONCLUSIONS

1. PG&E should establish a memorandum account to track the accounting fee associated with customer identified gas sales.

2. PG&E's accounting fee account funds should be subject to refund, with interest calculated using the 3-month commercial paper rate.

3. PG&Es' accounting fee rate design should be either a set customer charge or an hourly rate billed per transaction.

4. PG&E's accounting fee, memorandum account, and rate design concerning this fee should be adjudicated in its TY'93 General Rate Case.

5. PG&E should modify its customer identified gas schedule to provide as available transportation for Service Level 3-5 customers.

6. PG&E should specify under its customer identified gas schedule that as-available service in only limited to the amount of unused capacity remaining.

7. PG&E and SoCal should clarify their descriptions of the conditions under which alternative fuel requirements are required and not required.

8. The utilities and customers should initiate conferences to develop proposals to refine the current rules for nominations and curtailments.

9. SoCal should correct its schedules to reflect that use-or-pay penalties shall be forgiven due to a *force majeure* event occuring on either the interstate or the intrastate system.

10. SoCal should state in its Rule 23 that under a declared curtailment, customers will be required to maintain a balance within their monthly nomination limits plus the 10% tolerance band.

11. SoCal should clarify its Rule 30 to state that customers may not trade imbalance quantities exceeding the 10% tolerance band.

12. The utilities should file tariffs implementing rate design changes ordered under D.91-05-039 no later than July 22, 1991, to become effective August 1, 1991.

13. SDG&E's method of distributing surcharge revenues complies with D.91-02-046.

14. The utilities should file only those noncore transmission contracts of less than five years which contain negotiated transmission rates.

15. SDG&E should revise its storage program to provide nondiscriminatory service to both self-procuring and utility procurement customers.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file revised advice letters and tariff sheets in compliance with the provisions of General Order 96-A, consistent with each of the findings and conclusions listed above.

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

3. San Diego Gas and Electric Company shall file revised advice letters and tariff sheets in compliance with the provisions of General Order 96-A, consistent with each of the findings and conclusions listed above.

4. Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas and Electric Company shall file revised advice letter and tariff sheets five business days from the effective date of this resolution.

5. Pacific Gas and Electric Company Advice Letter 1624, Southern California Gas Company Advice Letter 2009, and San Diego Gas and Electric Company Advice Letter 740-G and the respective 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:

NEAL J. SHULMAN
Executive Director

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