

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2960
October 11, 1991

R E S O L U T I O N

RESOLUTION G-2960. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) SUBMITS PROPOSED SUPPLEMENTAL TARIFFS AND RULES TO COMPLY WITH DECISION 91-02-041 UNDER ORDER INSTITUTING RULEMAKING (OIR) 86-06-006 AND 90-02-008 FOR THE CORE AGGREGATION PROGRAM.

BY SUPPLEMENTAL ADVICE LETTER 1637-G-C FILED ON JULY 31, 1991

SUMMARY

This Resolution addresses issues remaining from advice letter filings made by PG&E concerning its core aggregation program. It conditionally approves the supplemental Advice Letter 1637-G-C, with some modifications. It also:

- Requires PG&E to deliver customers' gas at the border in accordance with customers' service level and end-use priority.
- Approves collection of a \$95 accounting fee per group of core aggregation customers.
- Requires PG&E, Southern California Gas Company (SoCal), and San Diego Gas and Electric Company (SDG&E) to notify their master meter customers of Public Utilities Code Section 739.5 and to monitor compliance.

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. PG&E filed Advice Letter (A.L.) 1637-G on March 15, 1991 and supplemental A.L. 1637-G-A on May 21, 1991.
3. On June 19, 1991, the Commission approved Interim Resolution G-2956, which addressed PG&E's A.L. 1637-G and ordered PG&E to

revise its core aggregation filing accordingly. PG&E filed supplemental A.L. 1637-G-B on June 26, 1991.

4. On July 24, 1991, the Commission approved Resolution G-2958, which addressed PG&E's supplemental A.L. 1637-G-A. PG&E filed supplemental A.L. 1637-G-C on July 31, 1991.

NOTICE

Public notice of the above mentioned advice letters was made by 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 with the Commission Advisory and Compliance Division (CACD) to PG&E's supplemental A.L. 1637-G-B and A.L. 1637-G-C.

1. Sunrise Energy Company, SunPacific Energy Management, Inc., GasMark, Inc. and GasMark West, Inc. (Sunrise/GasMark) filed a protest to A.L. 1637-G-B on July 16, 1991. PG&E responded on July 25, 1991.

2. R.M. Hairston Company (Hairston) filed a protest to A.L. 1637-G-B on July 18, 1991. PG&E responded on July 25, 1991.

3. Access Energy Corporation (Access) filed a protest to A.L. 1637-G-B on July 17, 1991, and a protest to A.L. 1637-G-C on August 20, 1991. PG&E responded to the July 17 protest on July 25, 1991, and to the August 20 protest on August 27, 1991.

CACD's past resolutions have addressed several issues of concern in the above protests. Therefore, this Resolution only addresses any outstanding or new issues not discussed and resolved under the previous resolutions.

DISCUSSION

Banking Provisions

Sunrise/GasMark believe that core transportation customers should be allowed the use of storage as necessary, despite their pro rata share. Sunrise/GasMark believe that this will provide core transportation customers storage banking flexibility equal to PG&E's own procurement customers.

PG&E clarifies that the allotment of available storage is made on a pro rata basis, and there is no additional storage to accommodate Sunrise/GasMark's request.

Discussion

D.91-02-040 clearly provided that core transportation customers shall be provided access to storage capacity reserved for the core in proportion to their share of total core demand. CACD believes that due to the limitations of PG&E's storage facilities, PG&E is unable to offer any additional storage beyond the core transportation customer's pro rata share. CACD, therefore, recommends no revision to PG&E's proposed tariffs regarding this issue. However, should any storage become available on a temporary basis during the year, PG&E should notify and offer as-available service to all core aggregators, as well as noncore transportation and storage customers. CACD also recommends that PG&E also include both core aggregators and noncore storage banking customers in its planning sessions held to determine future banking season operations.

Treatment of Storage Gas after Termination/Early Withdrawal

PG&E has proposed to carry forward to the next annual banking season a core aggregator's storage gas not withdrawn by March 31. This amount will be considered a banking deposit for the next banking season. In addition, if the aggregator withdraws early from the program, PG&E has offered to buy back banked gas at its lowest incremental cost of gas, unless otherwise agreed upon.

Discussion

PG&E's proposed carry forward conditions conform to Commission adopted rules for treatment of wholesale customers' core gas, which allows the wholesale core customer to carry over banked gas into the next year. Since the core aggregators' position is similar in this instance to that of the wholesale core, CACD recommends approval of PG&E's proposal. PG&E's offer to buy back banked gas from core aggregation customers withdrawing from the program early at PG&E's lowest incremental cost of gas also conforms to the generally adopted rules for storage banking. CACD recommends the approval of PG&E's proposed modifications.

Mobile Home Master Meter Customers

Hairston proposes that the Commission not require PG&E to track any costs for master meter customers. Hairston states that since the Minimum Average Rate Limiter (MARL) does not apply to core transportation customers, there is no need for PG&E to track any additional charges. PG&E states that it has no objection to deletion of its proposed tracking account.

Discussion

Resolution G-2956 ordered PG&E to track the MARL related charges for master-meter customers. PG&E noted in A.L. 1637-G-C that since the MARL was established to recover PG&E's core procurement cost of gas, it no longer applies to core aggregation customers receiving transportation-only service. Therefore, PG&E has proposed not to track or collect the MARL

costs from core aggregation customers. Instead, PG&E has offered to track all other revenue requirement charges for master-meter customers. CACD agrees with Hairston and PG&E that the MARL no longer applies to master-meter core aggregation customers, and recommends no MARL cost tracking procedure be employed.

In addition, master-meter customers participating in the core aggregation program should be aware of the Public Utilities Code (PUC) Section 739.5 which states that:

"(a) The Commission shall require that, whenever gas or electric service, or both, is provided by a master-meter customer to users who are tenants of a mobilehome park, apartment building, or similar residential complex, the master-meter customer shall charge each user of the service at the same rate which would be applicable if the user were receiving gas or electricity, or both, directly from the gas or electrical corporation....."

The above PUC Code section states that all master-meter customers must charge their submetered tenants at the same rates that utilities charge their customers. Therefore, a master-meter customer who aggregates its loads and purchases gas from a third party supplier may only charge its submetered tenants at a maximum rate equal to the utility's applicable prevailing rates, as if the tenants were purchasing gas directly from the utility. However, if the master-meter customer participates in the core aggregation program, it risks a loss if the third-party supplier's cost of gas is higher than the utility's. On the other hand, if the negotiated price is less than the utilities, then the master-meter customer may gain a profit. A master-meter customer, however, may choose to share the profit with its sub-tenants, but it is prohibited from passing along any loss if its prices are higher than the utilities rates.

Also in accordance with PUC Code Section 739.5, Paragraph (e), the master-meter customer shall post, in a conspicuous place, the utility's applicable prevailing residential rate schedule.

CACD recommends that PG&E, SoCal, and SDG&E notify their master meter customers of the Commission's PUC Code Section 739.5, which requires that master-meter customers charge its submetered tenants at a rate which is no greater than the utility's, and continue to monitor master-meter customer's compliance with the code.

Gas Sequencing

Resolution G-2958 ordered PG&E to prioritize and sequence its ordering of gas through interstate pipelines, in accordance with customers' service levels and end use priority. This would provide protection for Service Level 1 (SL-1) core customers and would ensure that they received their gas ahead of lower priority, noncore SL-2 customers.

Discussion

CACD has learned that PG&E has assigned noncore customer-identified (CIG) gas the highest transportation priority out of the San Juan basin. In effect, core customers with a higher priority, Service Level 1, will receive service behind the lower priority, noncore CIG customers. PG&E states that D.90-09-089 ordered PG&E to make available 200 MMcf (million cubic feet per day) on El Paso to CIG customers. The San Juan basin currently offers the lowest gas prices and is often overnominated. PG&E claims that if it assigns a higher priority to core customers' nominations out of the San Juan basin, then the customer-identified gas will most likely be curtailed or reduced to zero. PG&E believes that this will create an unsatisfactory situation for noncore CIG customers. PG&E adds that once the customer's gas arrives at the border, it will be curtailed in accordance with PG&E's Rule 14, which requires Service Level 1 gas to go ahead of all Service Level 2 gas, including CIG.

PG&E's nominations to El Paso are identified as follows:

- Each block of gas has:

A Service Number (1 for Service Level 1, 2 for Service Level 2);
A Source ID (A for Anadarko, P for Permian, and S for San Juan); and
A Marketer ID Number (01, 02,...).

- Twelve levels of priority exist within each block.

When El Paso must reduce PG&E's nominations, it will do so based on the priority that is given to each block of gas. If all noncore CIG gas is allowed to go through ahead of PG&E's SL-1 core and core aggregator's gas, then PG&E's actions do not comply with the Commission's policy regarding least cost price planning. D.90-09-089, on page 29, states that :

"Core customers shall have highest priority on all interstate pipelines. Allocation of pipeline capacity to core customer needs shall be on the basis of least-cost gas purchasing strategy for all utilities."

In addition, until capacity brokering takes effect, the noncore 200 MMcf ordered under D.90-09-089 for PG&E's El Paso capacity is a "best efforts" service and should not jeopardize core

customers' opportunity to obtain the best combination of economic and reliable gas supplies.

Although it is difficult to foresee the day-to-day operational problems and scheduling practices, CACD believes that PG&E should alter its sequencing practices to reflect the following:

- PG&E should separate its core portfolio purchases into SL-2, core subscription and SL-1, core purchases.
- Core Aggregator's and PG&E's core SL-1 purchases should receive the highest priority at each constraint point to the extent that it would not result in any penalties, inventory charges, or minimum payments under current contractual arrangements, and also to the extent permitted and feasible under tariffs and FERC regulations.
- To the extent that the above provision is satisfied, SL-2, core subscription gas and noncore firm transportation customer's gas should receive the next priority on the pipeline. In the event that SL-2 nominations are required to be reduced, both core subscription and noncore firm transportation gas should be reduced on a pro rata basis, as outlined in the rules of D.90-09-089 et al.

CACD recommends that the Commission adopt these sequencing policies to assure protection for core customers.

Curtailement Balancing Penalty and Trading Procedure

Resolution G-2958 ordered that the curtailement balancing penalty of \$1 per therm should apply after the trading period has ended. CACD believes that the \$1 per therm penalty was intended to compensate the utilities for the additional cost and the risks of providing back up service during curtailement periods. Therefore, Service Level 1 customers using balancing services during periods when such services for Service Level 2 customers have been curtailed should pay the \$1 per therm penalty. This penalty would only apply when the group's deliveries are less than 90% of the customer's average daily use for the number of the days balancing service is curtailed, and when no banked volumes are available under the Emergency Banking Withdrawal provision. Customers would be allowed to trade their total imbalances during the trading period.

However, PG&E has proposed two different methods of calculating customers' underdelivered imbalances during a curtailement period. Under its Core Transportation Schedule G-CT, PG&E proposes to apply the \$1 penalty to the customers' average daily usage, but under its Balancing Schedule G-BAL, the penalty is based on the customers' actual usage. SoCal, on the other

hand, has proposed to read customers' meters during a curtailment period and apply the penalty to the customers' actual usage during a curtailment.

CACD has learned that PG&E will not be reading customers' meters during curtailment periods as SoCal has proposed, and so the customers' actual usage cannot be determined. Therefore, PG&E must use the customers' average daily usage to calculate the curtailment penalty of \$1 per therm. CACD recommends that PG&E revise its proposed tariff, Schedule G-BAL to be consistent with Schedule G-CT, and to reflect that the balancing penalty would apply to the customers' daily average usage, rather than actual.

Accounting Fee

Access protests the accounting fee of \$95 per aggregator for agent-identified gas service. Access contends that the \$95 accounting fee was established under Resolution G-2959 for noncore transportation customers only, and, therefore, does not apply to core aggregators. Access requests deletion of this charge from PG&E's tariffs.

PG&E responds that a separate accounting unit was established to administer the billing and payment requirements for noncore customers under customer-identified gas program, and to assure price confidentiality between customers and their suppliers. PG&E states that since the same accounting unit serves core customers through their aggregators, it is appropriate to require these customers to share the costs. Otherwise, noncore customers would subsidize this service.

Discussion

In Resolution G-2959, CACD discussed PG&E's proposal to establish a separate accounting group to handle transactions between noncore customers and their producers. The purpose of this group was to protect the noncore customers by keeping the negotiated price between them and their producers confidential. To offset the administrative costs associated with the development and maintenance of such an accounting group, PG&E proposed to collect an accounting fee from customers participating in the customer-identified gas program.

The Commission ordered that the associated costs should be based on either a set customer charge or an hourly charge per transaction. The Commission also ordered, that until these costs can be reviewed in PG&E's next General Rate Case in 1993, PG&E should track the accounting fee costs in a memorandum account, subject to refund.

PG&E has recalculated the accounting fee and has proposed a \$95 customer charge per noncore customer/aggregator. PG&E has also clarified in its tariffs that the \$95 fee applies to each group instead of each aggregator. A group may consist of any combination of core customers whose total gas use meets a

minimum of 250,000 therms on an annual basis. The group is contractually tied together by an aggregator (core transport agent). An aggregator may be in charge of more than one group of customers.

Resolution G-2958 required the same level of confidentiality for core and noncore transportation customers and recommended the same separate accounting group that handle noncore transportation customers' transactions, handle core transportation customers' as well. CACD believes that since the same accounting group provides service to both groups of customers, it is reasonable to require core aggregators to share with noncore customers the costs associated with providing the service. Because each group constitutes a transaction for the billing unit, CACD believes that it is also reasonable to require a separate accounting fee per group. PG&E's workpapers provide sufficient information for the \$95 accounting fee, therefore, CACD recommends no revisions to PG&E's tariffs.

FINDINGS

1. PG&E's tariffs offer core transportation customers, a storage banking reservation in proportion to their share of the total core demand.
2. PG&E proposes to carry forward to the next season any core aggregator's banked gas that is not withdrawn by March 31.
3. When an aggregator withdraws early from the program, PG&E proposes to buy the remaining gas in the storage at its lowest incremental cost of gas, unless otherwise agreed upon.
4. MARL charges do not apply to core aggregation customers.
5. Master-meter customers purchasing gas from a third-party supplier should be aware of the benefits and risks of participating in the core aggregation program under PUC Code Section 739.5 Paragraphs (a) and (e).
6. Under PG&E's current scheduling of gas over El Paso, SL-2 noncore, CIG gas receives a higher priority than SL-1 gas.
7. The curtailment penalty of \$1 per therm should be applied to core aggregation customers after the emergency banked gas has been withdrawn, and if the aggregated group's deliveries are less than 90% of their daily average gas usage for the number of days balancing services were curtailed for Service Level 2 customers.
8. PG&E proposes to collect a \$95 accounting fee from each group of core customers participating in the agent-identified gas program.

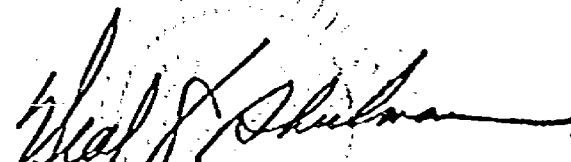
CONCLUSIONS

1. PG&E's banking provision requires no revision.
2. When storage becomes available, PG&E should notify and offer as-available service to all core aggregators, noncore transportation and storage customers.
3. PG&E should include core aggregators and noncore storage customers in its planning sessions held to determine future banking season operations.
4. PG&E's proposal to carry forward to the next season any core aggregator's banked gas that is not withdrawn by March 31 is reasonable.
5. Upon early withdrawal of a core aggregator from the program, PG&E's proposal to buy remaining gas in the storage at its lowest incremental cost of gas, unless otherwise agreed upon, is reasonable.
6. PG&E should not be required to track any specific costs for master meter customers, who receive transportation-only service.
7. PG&E should continue to monitor master-meter customers' compliance with PUC Section 739.5, Paragraphs (a) and (e).
8. PG&E should sequence its ordering of gas to allow for SL-1 core and core aggregation customer' gas to flow ahead of all SL-2 noncore gas, provided that it would not result in penalties, inventory charges, or minimum payments under existing contractual agreements, and to the extent permitted and feasible under tariffs and FERC regulations.
9. PG&E should revise its Schedule G-BAL to be consistent with its Schedule G-CT, stating that balancing penalties incurred during a curtailment shall be based on the daily average gas usage, rather than actual usage.
10. PG&E's proposal to collect a \$95 accounting fee from each group of core aggregations customers participating in the agent-identified gas program is reasonable.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file a 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. Pacific Gas and Electric Company shall file a complete, revised advice letter and tariff sheets 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 October 25, 1991.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 11, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did
not participate.