

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2961
October 11, 1991

R E S O L U T I O N

RESOLUTION G-2961. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) SUBMITS PROPOSED SUPPLEMENTAL TARIFFS AND RULES TO COMPLY WITH GAS PROCUREMENT FILINGS REQUIRED UNDER DECISION 90-09-089, ET AL FOR NONCORE PROCUREMENT.

BY SUPPLEMENTAL ADVICE LETTER 1624-G-C, FILED ON JULY 31, 1991.

SUMMARY

This Resolution conditionally approves PG&E's Advice Letter 1624-G-C with some modifications. PG&E is ordered to clarify and delete particular references concerning as-available services under its Schedule C-CIG, for buy/sell arrangements. PG&E is also required to recalculate the demand charges and volumetric charges contained under its wholesale Schedule, G-WRT.

BACKGROUND

1. On September 25, 1990, the Commission adopted Decision (D.) 90-09-089, which set forth new rules for gas procurement and transportation service for noncore customers.
2. PG&E filed Advice Letter (A.L.) 1624-G on January 10, 1991.
3. PG&E filed supplemental A.L. 1624-G-A on March 26, 1991.
4. On May 22, 1991, the Commission adopted Resolution G-2948, which addressed PG&E's A.L. 1624-G, and supplemental filing A.L. 1624-G-A, and ordered PG&E to revise its tariffs accordingly.
5. PG&E filed A.L. 1624-G-B on May 30, 1991.
6. On July 24, 1991, the Commission adopted Resolution G-2959, which addressed PG&E's A.L. 1624-G-B.
7. PG&E filed A.L. 1624-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. 1624-G-C.

1. American Natural Gas Corporation (American) filed a protest on August 5, 1991. PG&E responded on August 14, 1991.
2. Southwest Gas Corporation (Southwest) filed a protest on August 20, 1991. PG&E responded on August 30, 1991.
3. Division of Ratepayers Advocate (DRA) filed a letter on August 20, 1991, supporting American's protest. PG&E responded on August 30, 1991.
4. Alberta Petroleum Marketing Commission (APMC) and the Canadian Producer Group (CPG) filed a protest on August 20, 1991. PG&E responded on August 27, 1991.
5. Access Energy Corporation (Access) filed a protest on August 20, 1991. PG&E responded on August 27, 1991.

DISCUSSION

As-Available Service for Customer-Identified Gas

American objects to PG&E's provision of its Customer-Identified Gas Program (Schedule G-CIG) implementing an as-available service for Service Level 3-5 customers. American interprets PG&E's provision of as-available service as an attempt to practice capacity brokering on the Pacific Gas Transwestern (PGT) pipeline in violation of the Federal Energy Regulatory Commission's (FERC) current policy.

American also objects to Schedule G-CIG where it provides that as-available service will be offered if PG&E forecasts additional capacity throughout the month.

American believes that PG&E intends to make the as-available capacity available to the A&S producers, by extending the access agreement beyond the 250 MMcf/d (million cubic feet per day) capacity set aside for noncore customers on PGT. This would deny American and other interruptible shippers of the capacity that would be available to them on the queue. DRA supports

American in objecting to PG&E's interpretation of the as-available service as ordered by Resolution G-2959, and believes that it allows PG&E to monopolize the entire capacity of PGT with A&S gas. DRA requests that the as-available program should be limited to the 250 MMcf/d of Schedule G-CIG.

DRA also objects to the bidding process of as-available service on PGT as proposed by PG&E, and requests its removal. PG&E's proposal provides that as-available service via Topock would be awarded in order of service level, and via Malin would be awarded in order of bid price, then by Service Level.

Conversely, APMC/CPG requests further clarification of the bidding procedure in PG&E's tariffs. APMC/CPG has no objection to the bidding process, if the bid is for the A&S gas instead of transportation services, and also if the gas with the highest bid will flow first. APMC/CPG believes that such a procedure would be similar to traditional Tier III sales from A&S producers. APMC/CPG also states that PG&E may be establishing a minimum bid price subject to A&S producer approval.

PG&E asserts that it has interpreted the order in Resolution G-2959 correctly in providing as-available service to Service Level 3-5 customers. PG&E states that it is entitled to use its entire sales rights on PGT to serve its end use customers. According to PG&E, there will be no transfer of rights or brokering of capacity on PGT. Instead, PG&E claims that it will be using its existing sales rights to serve its customers. PG&E adds that American's rights on the interruptible queue remain subordinate to the full use of PG&E's sales rights, which are limited to purchases for PG&E's own portfolio and to purchases under the Customer-Identified Gas Program.

In addition, PG&E states that contrary to the American allegation, PG&E does not make a forecast of the availability of PGT capacity. Instead, PG&E determines the availability of the procurement service at the beginning of the month, thereby making procurement service available to the lower priority customers.

PG&E claims that its bidding procedure on PGT is similar to the one offered on El Paso. PG&E explains that customers have to negotiate a price with A&S producers, and inform the Confidential Billing Unit in order to receive gas under the program. Commodity bids for service will be accepted from highest to lowest bid price. For same price bids, customers with higher priority service will receive service first.

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 non-discriminatory, as-available basis should capacity exist. When PG&E filed its A.L. 1624-G-B, the California Industrial Group (CIG) protested

that the limitation of 450 MMcfd capacity only applied to SL-2, firm transportation customers, and that an as-available service to SL-3 through SL-5 customers should be made.

Under Resolution G-2959, the Commission agreed that any unused, set-aside capacity available under Schedule G-CIG should be offered to Service Level 3-5 customers, and specified that the as-available, "firmer" service under Schedule G-CIG is limited to the amount of unused capacity available under the schedule, i.e., 200 MMcfd on El Paso and 250 MMcfd on PGT. Conclusion 6 reads:

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

PG&E has specified in its Schedule G-CIG that service under the schedule is "limited to 450 MMcf per day (250 MMcf per day delivered from Alberta and Southern producers at PG&E's Malin receipt point and 200 MMcf per day at PG&E's Topock receipt point)." However, this section continues with: "Procurement service in conjunction with the As-Available section of this schedule is only limited to the amount of remaining capacity/access available, as determined by PG&E."

CACD believes that this second sentence could be misconstrued to allow an expansion of the set-aside 450 MMcf/d capacity for noncore transportation. In order to settle any possible confusion, CACD believes that PG&E should restate this last sentence to read:

"Procurement service in conjunction with the As-Available section of this schedule is only limited to the amount of remaining 450 MMcf/d capacity/access available, as determined by PG&E."

CACD, however, does not agree with PG&E's bidding procedure treatment as proposed on PGT. Under the As-Available Service section of Schedule G-CIG, PG&E states:

"The As-Available service will be provided on a best efforts basis to Customers in order of their Service Level, for service via Topock, and in order of bid price, then service level, for service via Malin."

PG&E's procedure is not the same on both El Paso and PGT, nor is this sequencing authorized. The PGT sequencing causes transported gas to be sequenced first according to commodity price, not according to Service Level. The gas commodity bidding concept employed by PG&E on PGT for as-available service contradicts the procurement decisions. The Service Level concept only resorts to any cost-related sequencing when transportation rates differ; commodity costs are not a

consideration. PG&E's As-Available Service should be offered on PGT and El Paso in order of Service Level only. CACD recommends that PG&E delete the phrase "in order of bid price, then service level" for service via Malin in order to comply with the procurement decisions.

Balancing Service

Southwest objects to the proposed tolerance band provision under the balancing schedule (G-BAL), which bases the imbalance penalties on the metered usage less core procurement quantities.

Southwest argues that PG&E's previous advice letters instead based the imbalance penalties on customers' total metered usage including the core subscription quantities. As a result customers had a larger base number for the calculation of their imbalances. Southwest claims that its election of transportation services was based on this greater flexibility, and that the sudden change in PG&E's balancing schedule, after Southwest had made its election significantly increases the probability of it incurring imbalance penalties.

In addition, Southwest claims that because of the nature of its terrain, its meters are read once a month. Due to lack of information on daily usage, monitoring deliveries for the purposes of adjusting imbalances becomes difficult. Southwest believes that its situation is therefore unique to noncore customers, and deserves additional flexibility.

PG&E responds that it has consistently interpreted the tolerance band on the quantity of gas the customer should deliver to be perfectly in balance. PG&E believes that it had communicated this provision to all of its customers and adds that A.L. 1624-G-C was merely clarified to avoid any misunderstandings regarding this issue. PG&E believes that customers like Southwest would receive a tolerance band in excess of the +/- 10 percent, if the tolerance band was applied to all customers' total metered usage, instead of total usage less core subscription quantities. PG&E adds that during several meetings with Southwest, Southwest "expressed their interpretation of the the existing tariff language.....(which)...would provide customers who split their loads between Core Subscription and transportation-only service with a tolerance band in excess of the +/- 10% band approved for other customers."

Discussion

Transportation customers are expected to deliver gas quantities equal to their total metered usage. However, customers like Southwest who split their loads between core-subscription and transportation-only service, are expected to deliver an amount equal only to the transportation part of their loads. The +/- 10% balancing service should only apply to the transportation part of Southwest's load.

Apparently Southwest made its transportation election relying on an application of the tolerance band based on its total metered usage, including the volumes under the core subscription schedule. PG&E's recent clarification of the tolerance band reduces Southwest's total metered usage by the core subscription volumes. This reduction in volume results in a lower imbalance tolerance for Southwest and consequently puts Southwest at a higher risk of incurring imbalances.

Southwest claims that it was led to believe by PG&E's tariffs that the penalty would apply to its total metered usage. PG&E claims that all along Southwest had interpreted its tariff to say that the penalties would apply to the total metered usage.

CACD believes that it is difficult to judge what happened in the discussions held between PG&E and Southwest which led to this misunderstanding. However, CACD believes that finding fault with either party would not help resolve the situation. The options are limited. Southwest's unique situation is irrelevant to the application of the imbalance penalties. CACD believes that the Commission may not treat Southwest and its unique situation any different from the rest of the participating transportation customers. Therefore, CACD recommends that Southwest should be put at risk for the imbalance charges based on their noncore transportation volumes.

Accounting Fee

Access argues that the \$95 accounting fee under Schedule G-CIG for Customer-Identified Gas Service has no basis. Access believes that PG&E has not provided sufficient justification to support this charge. Access believes that no accounting fee should be applied to noncore transportation customers until it is reviewed and adopted in PG&E's next general rate proceeding.

PG&E responds that it has provided the Commission with the detailed calculation of the accounting fee and believes that the workpapers provide sufficient information to justify this charge. PG&E offers a copy of the workpapers for Access' review.

Discussion

Resolution G-2959 addressed the establishment of a separate, confidential accounting unit for PG&E's Customer-Identified Gas Service. It also discussed treatment of PG&E's proposed accounting fee and ordered that an interim rate be adopted to accommodate the implementation date of August 1, 1991. The Commission also ordered PG&E to establish a memorandum account to track the costs of providing this service until the amounts can be reviewed in PG&E's next General Rate Case, Test Year 1993.

Resolution G-2959 also ordered that the charges be based on either an hourly rate or a set customer charge. PG&E has recalculated its accounting fee. The cost of establishing and maintaining the separate, confidential accounting unit is shared between core and noncore customers, and an accounting fee of \$95 per noncore customer or group of core aggregation customers has been established.

PG&E's estimated costs of operating and maintaining the separate accounting unit is based on a study done by Price Waterhouse Accounting firm. CACD believes that PG&E's supplemental A.L. 1624-G-C, revising this accounting fee, complies with Resolution G-2959. CACD recommends its adoption on an interim basis, until PG&E's next General Rate Case, Test Year 1993, when these costs would be reviewed.

Wholesale/Retail Tariff

Under Wholesale Schedule G-WRT, PG&E has established two transportation charges: one for core customers and another for noncore customers. In calculating the above charges, PG&E used only one cost allocation and set the average core rate equal to the average noncore rate. As a result, lower priority noncore customers behind the wholesaler would pay higher rates than higher priority core customers.

The Commission wants to encourage wholesale customers to develop rates appropriate to the customers it serves, based on their demand characteristics. Wholesale customers are in the best position to determine their customer's demands, not PG&E. CACD believes that PG&E's tariff should not establish separate transportation rates for the core and noncore customers of its wholesale customers, but instead should set only total transportation charges for these customers. The wholesalers should then establish their own cost allocations to set rates for their customers. PG&E should revise its wholesale Schedule G-WRT to reflect a transportation rate comprised of demand charges for each wholesaler and a single volumetric charge.

FINDINGS

1. As-available capacity to Service Level 3-5 customers is limited to the amount of capacity unused under Schedule G-CIG.
2. PG&E has offered as-available service to Service Level 3-5 customers in order of Service Level via Topock, and in order of bid price then Service Level via Malin.
3. PG&E has modified its balancing schedule to state that imbalance penalties will be based on metered usage less core procurement quantities.

4. PG&E has proposed to collect a \$95 accounting fee per noncore customer for Schedule G-CIG Customer-Identified Gas Service.
5. PG&E has established separate transportation charges for core and noncore customers of its wholesale customers.

CONCLUSIONS

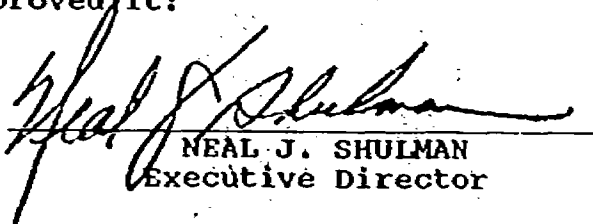
1. PG&E should revise the Applicability Section of its Schedule G-CIG to clarify that As-Available Service is limited to the 450 MMcfd capacity available under the schedule.
2. PG&E should revise the sequencing of As-Available Service to Service Level 3-5 customers based on Service Level only on both PGT and El Paso.
3. PG&E's additional clarification of the application of imbalance charges to customers' total metered usage less core subscription quantities is consistent with the procurement decisions.
4. Southwest should be put at risk for incurring imbalance charges based on their noncore transportation volumes.
5. PG&E's proposed \$95 per customer accounting fee for its Customer-Identified Gas Service is reasonable on an interim basis, until it is fully reviewed in PG&E's next General Rate Case proceeding.
6. PG&E should revise its rate design for its wholesale customers to eliminate the breakdown between core and noncore transportation charges, instead showing only demand and volumetric charges for wholesale transportation customers in its G-WRT tariffs.

October 11, 1991

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file a revised advice letter and tariff sheets in compliance with the provisions of General Order 96-A, consistent with each of the findings and conclusions listed above.
2. Pacific Gas and Electric Company shall file a revised advice letter and tariff sheets no later than five business days from the effective date of this resolution.
3. Pacific Gas and Electric Company Advice Letter 1624-G-C shall be marked to show that they were supplemented.
4. 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.