

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2962
October 11, 1991

R E S O L U T I O N

RESOLUTION G-2962. SOUTHERN CALIFORNIA GAS COMPANY
TARIFF SCHEDULE G-TARG, TARGETED NATURAL GAS SALES TO
TRANSPORTATION CUSTOMERS, AND TARIFF SCHEDULE G-IMB,
TRANSPORTATION IMBALANCE SERVICE TO COMPLY WITH GAS
PROCUREMENT FILINGS REQUIRED UNDER DECISION 90-09-089,
ET AL.

BY ADVICE LETTERS 2028-B AND 2026-A, FILED ON JUNE 26,
1991.

SUMMARY

This resolution addresses various outstanding issues from Advice Letters 2028-B and 2026-A made by Southern California Gas Company (SoCal). Items resolved order modifications to Schedule G-IMB concerning billing adjustments and to Schedule G-TARG, regarding an unauthorized administrative fee. SoCal is also required to delete an unauthorized penalty incorporated under its compliance filing Advice Letter 2009-B, addressing noncore procurement.

This resolution also requires Southern California Gas Company, San Diego Gas and Electric Company, and Pacific Gas and Electric Company to file quarterly operations reports.

BACKGROUND

1. Southern California Gas Company (SoCal) filed supplemental Advice Letter (AL) 2028-B on June 26, 1991 to comply with Decision 90-09-089, et al, to provide a Targeted Sales Program for its gas transportation customers. SoCal filed supplemental Advice Letter 2026-A on June 26, 1991 revising its Schedule G-IMB for its Transportation Imbalance Service to comply with Resolutions G-2953 and G-2948 and Decision 90-09-089, et al.
2. In Decision 90-09-089, the Commission approved a proposal contained in the Settlement to the Procurement Rulemaking (R.) 90-02-008, to permit the utilities to use their firm interstate transportation capacity rights to effect buy/sell arrangements with their customers. The utilities would purchase gas supplies identified by their customers in the various producing basins and would resell the identified gas supplies to the customer in California at the same purchase price plus the cost of interstate and intrastate transportation. The arrangement was a method of providing noncore customers, that chose not to become core

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subscription customers, with firmer gas supplies in advance of an approved capacity brokering program.

3. On May 22, 1991 the Commission adopted Resolution G-2948, which conditionally approved advice letter filings required under the decisions from 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.

4. SoCal Advice Letter 2028-B, a proposed tariff Schedule G-TARG providing a Targeted Sales Program for its customers, is the schedule effecting the buy/sell arrangements necessary to accomplish the firmer service contemplated by the procurement decisions. SoCal Advice Letter 2026-A provides the basis for customer transportation imbalance services, allowing customers to trade imbalances during the month following the occurrence.

5. Notice was also provided by SoCal mailing copies of the advice letter to a utility customer service list, 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. Protests to supplemental AL 2028-B were filed by the Indicated Producers on July 15 and by San Diego Gas and Electric Company (SDG&E) on July 16, 1991. Indicated Producers represent ARCO Oil and Gas Company, Conoco Inc., Chevron USA Inc., Meridian Oil, Inc., Oryx Energy Company, Shell Western E&P Inc., Texaco, Union Oil Company of California, and Union Pacific Resources Company. SoCal responded to both protests on August 30, 1991.

2. In the body of its protest to AL 2028-B, Indicated Producers also protested SoCal's Authorized Marketer program, the subject of AL 2050 and AL 2051, filed June 7, 1991. SoCal incorporated its response to this protest into its reply to protests of AL 2028-B.

3. A protest to supplemental AL 2026-A was filed July 22, 1991 by Shell Western E & P Inc. (SWEPI). SoCal responded to this protest on July 22, 1991.

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TARGETED SALES AND MARKETER PROGRAMS

Targeted Sales Program

Indicated Producers believe that the recent modifications made by SoCal to its Schedule G-TARG for targeted sales clarify and correct certain inequities present in previous version of the tariff. However, Indicated Producers maintain that the program violates both the policy and existing rules of the Federal Energy Regulatory Commission (FERC), as has been pointed out in previous protests. As such, Indicated Producers incorporate their previous arguments by reference in their protest to A.L.2028-B.

SoCal asserts that the Indicated Producers' arguments concerning the targeted sales program have not been found to be unlawful by the FERC. Moreover, with the scheduled FERC Technical Conference of September 17, 1991 which will explore the program's operation, SoCal believes that there is no reason for the FERC to conclude that the program violates its rules or policies. SoCal recommends that the Commission disregard the Indicated Producers' allegations.

Discussion

To date, the FERC has not issued a statement or rule dissolving California's buy/sell arrangements for gas transportation. At the FERC technical conference, the California Commission recommended that it be allowed to continue to authorize the interim buy/sell program for the utilities until it can be replaced with a FERC approved capacity program. CACD has no recommendation for the Commission at this time.

Authorized Marketer Program

Indicated Producers complain that the uncertainty and confusion surrounding the targeted sales and SoCal's "Authorized Marketer" programs will likely result in greater core subscription, thereby thwarting Commission efforts to develop a competitive gas-on-gas market for California. They argue that SoCal has failed to formally file a tariff concerning the Authorized Marketer program and request rejection of any program that would incorporate unduly burdensome credit requirements that could discourage producer and marketer participation prior to resolving the outstanding issues under AL 2028-B, the targeted sales program.

SoCal replies that it is currently reviewing the purpose of filing a rule for its Authorized Marketer program. SoCal believes further consideration is advantageous to all parties, and has not submitted a formal proposal through the advice letter process.

Discussion

Since no formal tariff has been filed with the Commission requesting adoption of a tariff for an "Authorized Marketer" Program, this issue is moot. CACD has no recommendation for the Commission concerning this issue.

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Marketer Financial Responsibility

Indicated Producers protest that marketers should not have to bear SoCal's imposed financial responsibility for customer imbalances on the customer's designated suppliers. Indicated Producers allege that this will discourage marketer participation and provides an unfair advantage over independent marketers, since traditional customers receive balancing services at no charge.

SoCal states that it believes that it is justified to hold the marketer responsible for any imbalances that are created. SoCal explains that the marketer is nominating gas for its customers and it is the marketer's responsibility to be sure that the gas is delivered into the system. There is no way the individual customer can determine whether its gas has shown up because the marketer has numerous customers and the gas will have been nominated in a pool, not by individual account. If only some of the marketer's gas shows up, each of the marketer's customers would consider it to be their gas.

SoCal argues further that the marketer should be held responsible for any imbalance, for absent this responsibility, they will have no reason to attempt to stay in balance or to eliminate or lessen imbalances using the imbalance trading program. The marketers should have the same incentives to stay in balance as other customers who are acting on their own behalf.

SoCal adds that if a marketer does not want to be responsible for imbalances, it can still market gas by having each customer appoint the marketer as the customer's agent, as opposed to operating as an "Authorized Marketer". As the customer's agent, it can nominate specifically for each individual customer and will not have any liability for the imbalances, since the customer would be responsible for any such imbalances.

Discussion

SoCal has filed a Marketer/Aggregator Contract under Advice Letter 2050, which provides that marketers must be responsible for imbalances. A marketer is not obliged to sign this contract with SoCal in order to provide services to end use customers in California, for SoCal also provides marketers the option of acting as an agent on behalf of the customer.

According to SoCal, the distinction is that a marketer/aggregator may assume the responsibility for the customers' imbalances by pooling gas and signing the contract, or a marketer/aggregator may act as an agent for individual customers shipping discrete "packages" of gas, causing the end use customer to be responsible for its own imbalances, and thus, not signing the contract. If an end use customer using an "agent" is out of balance, the customer is held responsible for imbalance penalties. The customer does not receive a free balancing service, as is contended by the Indicated Producers. Since SoCal provides the marketer/aggregator with an optional means of participating in

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the programs by not requiring a signed contract, CACD believes that the Indicated Producers' request has been met. CACD has no recommendation to make to the Commission at this time.

Capacity Allocation

Indicated Producers suggest that the Commission require SoCal to clarify its proposed treatment of oversubscription at allocation points and they pose a group of transportation related questions:

- What are the allocation points?
- If the allocation points are on El Paso and Transwestern, how will SoCal determine how much capacity is available at each receipt point given that its rights are not receipt point specific?
- How will nominations be prorated? How are core volumes treated in determining whether an allocation point is oversubscribed?
- Must an election be made at the same allocation point for the entire election period, or will customers have the right to elect service from different allocation points throughout the service term?
- If a Service Level 3 customer were to elect a certain allocation point for its full service term, and a Service Level 2 customer picked up capacity at that same allocation point on a monthly as-available basis, would the Service Level 2 customer get its gas before the Service Level 3 customer in the event of a constraint?

SoCal responds that "until such time as SoCalGas has capacity specific to each receipt point, the allocation point has to be at the pipeline delivery points."

"SoCalGas will determine how much capacity is available for noncore customers and, if necessary, will prorate volumes based on each customer's noncore nominations as a percentage of the total amount nominated at that constraint point. The amount of core capacity will be determined and, if necessary, will be similarly prorated among the core customers based on the amount that they have nominated as a percentage of total nominations."

Discussion

The questions posed by Indicated Producers are appropriate, but unfortunately, not fully answered by SoCal. CACD contacted SoCal to solicit a more complete response, but was unsuccessful. SoCal responded that the new program was in a state of flux, and that it was attempting to provide its customers with as much current information as was possible on an informal basis.

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It is clear that a number of operational problems are being addressed on a day-to-day basis, and that unforeseen problems will arise in the future. No formal document outlining the program's performance exists. Therefore, CACD recommends that SoCal, SDG&E, and PG&E provide the Commission, parties to D.90-09-089 and D.91-02-040, and any other interested parties with a Quarterly Operations Report, detailing the following information:

- Status of the Interstate Nomination and Allocation Process
- Monthly Imbalances, accrued by Service Level and by Customer Class
- Net Imbalance Subject to Charges (Therms) by Service Level and by Customer Class
- Total Imbalance Charges by Month
- Buy/Sells: Differences between what volumes customers nominated versus delivered; receipt point problems.
- The extent of oversubscription by receipt points.
- The extent SL-2 customers must rely on the interruptible queue to transport.
- The status of the SL-2 surcharge billing and crediting. Are customers allowed to nominate "0" SL-2 nominations in a month so that they may move gas on an interruptible basis during any particular month?
- Transwestern Receipt Point Problems
- Any other comments or information (both positive and negative) concerning the procurement programs.

CACD suggests that the Commission adopt this quarterly reporting until the procurement program is replaced. The first report should reflect the time period of August and September, omitting July, and should be filed and mailed no later than October 25, 1991. Reports should be filed both under the appropriate dockets and with the Director of CACD.

Nominations

SDG&E protests that SoCal changed the nomination requirements to 6 days from the usual 2 days. SDG&E also requests daily balancing information.

SoCal responds that due to the greater number of customers participating in the procurement program, and also due to the increased need for time to process the nominations, it has had to change the standard nomination process.

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Discussion

This topic was addressed under Resolution G-2957. CACD recommended and the Commission adopted the changes in the nomination timing proposed by SoCal on an interim basis, dependant upon the success of the installation of its computer nomination program, GasSelect. CACD has no additional recommendations to make to the Commission at this time regarding SoCal's computer nomination process. SoCal did not reply to SDG&E's request for daily balancing information. While this information may be voluminous, SoCal should not refuse SDG&E's request. SDG&E should direct its request for this information to SoCal.

Administrative Fee for Targeted Sales

SDG&E protests SoCal's unspecified and unauthorized administrative fee found in Schedule G-TARG. SDG&E argues that no administrative fee has been authorized for SoCal.

SoCal responds that this issue is moot, for it has removed the line in the tariff that would have charged an administrative fee.

Discussion

Advice Letter 2028-B for SoCal's Targeted Sales retains an administrative fee line item. SoCal is not authorized to charge an administrative fee. CACD recommends that SoCal issue a substitute sheet for the first tariff page of Schedule G-TARG, deleting this line.

IMBALANCE TRADING SERVICES

Customer Liability

SWEPI charges that SoCal's Special Condition 10 under Schedule G-IMB for Imbalance Services is unfair for it denies the customer any recourse to financial losses or damages incurred by the customer who made decisions based upon data errors made by SoCal. SWEPI argues that this is especially unfair if a customer trades an incorrect amount of "imbalance" gas based on information provided by SoCal. SWEPI claims that since customers must rely on SoCal's information regarding the disposition of transportation balances, such as an imbalance trade, SoCal should be held liable for any financial losses or damages incurred.

SoCal replies that billing errors are expected to occur due to the complexities of the gas delivery system, but that it should be held harmless, especially with the flexibility afforded customers to trade their imbalances.

SoCal cites its Rule 16, which permits it to make billing adjustments for billing errors, and Public Utilities Code (PUC) Section 735, supporting its liability disclaimers in Special Condition 10. SoCal interprets its Rule 16 as placing the

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customer on notice that the customer should not rely on the initial bill for making financial decisions and should await any necessary adjustments before acting in reliance on the amounts billed by SoCal.

SoCal replies that SWEPI's contention that SoCal should be held liable for any financial losses incurred by the customer is unreasonable. SoCal cites that PUC Section 735 grants to the Commission only the jurisdiction and authority to order reparations for amounts overcollected by the Utility. SoCal states that the Commission has consistently dismissed claims for any amounts greater than a refund for monies already received by the Utility from the customer, and has specifically dismissed claims for consequential damages.

Discussion

Special Condition 10 under Schedule G-IMB for Transportation Imbalance Services states:

"If as the result of billing error, metering error, or transportation adjustments, customer trades an incorrect amount of imbalance quantities based on notification by Utility, Utility will not be liable for any financial losses or damages incurred by customer nor will Utility be financially liable to any of the customer's imbalance trading partners. If as a result of such error, Utility overbills customer, Utility shall refund the difference. If utility underbills customer, the customer shall be liable for the undercharge including any associated penalty. The customer shall not be relieved of imbalance penalties when a subsequent billing adjustment is made by Utility. Trades occurring in prior periods will not be affected by such billing adjustments."

CACD has reviewed both SoCal's existing Rule 16 and PUC Section 735, and believes that SoCal's Special Condition 10 under Schedule G-IMB for Imbalance Services is consistent with both of the cited sections.

CACD agrees that the customer liability problem raised by SWEPI is especially aggravated when a customer trades an incorrect imbalance based on erroneous information provided by SoCal. (See discussion below.) However, CACD believes that the customer should bear the responsibility for any damages. The customer has the ability to monitor its usage and is in the best position to exercise judgement regarding the accuracy of the information he receives from SoCal in conjunction with what is known about a current month's usage. CACD recommends no change in SoCal's tariff regarding liabilities.

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Billing Adjustments

SWEPI contends that also under Special Condition 10 of Schedule G-IMB (cited above), SoCal proposes to deny relief from imbalance penalties, even when a subsequent billing adjustment is made. In addition, SWEPI states that it expects numerous billing changes due to pipeline adjustments and argues for a reasonable amount of time to elapse before a bill becomes final. SWEPI recommends that such a period be no less than six months after the month in which the billing occurred.

SoCal suggests that SWEPI misunderstands the relationship between trading imbalances and subsequent billing adjustments. SoCal states that it will include subsequent billing adjustments as part of the usage deemed to occur during the subsequent period, and therefore such adjustments will be included in the calculation of the subsequent period imbalance, should any occur. SoCal replies that if a customer is outside the 10% tolerance range in the subsequent period, it will be permitted to avoid any economic penalty.

SoCal responds that to follow SWEPI'S suggestion to extend a six months' grace period for adjustments would prolong reconciliation and would delay imbalance trading. SoCal recommends that it would be unreasonable to wait so long to resolve imbalances, since customers would not have a current idea of what the costs associated with the imbalances were.

Discussion

The particular issue here is what amount of imbalance will SoCal apply if an adjustment is made in the customer's bill. SoCal has responded that it will "include subsequent billing adjustments as part of the usage deemed to occur during the subsequent period, and therefore such adjustments will be included in the calculation of the subsequent period imbalance, should any occur."

CACD believes this action is fair, for it allows a customer notice and opportunity to correct an imbalance adjustment in the following month. To do otherwise would be unreasonable. Since this language does not appear in Schedule G-IMB and because it clearly states how SoCal will handle this particular issue, CACD recommends that SoCal modify Special Condition 10 to include this statement to Schedule G-IMB.

CACD believes that SWEPI'S request to forestall imbalance reconciliations for six months would be detrimental to the imbalance trading program. The utilities already have a two to three month billing delay with the inclusion of the month set aside to trade imbalances. To extend this period any longer to resolve imbalances would serve to further confuse customers about their true imbalances. CACD recommends that the Commission not modify the current billing rules.

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Curtailement Penalty Compliance

Under each of its procurement rate schedules found under Advice Letter 2009-B, filed July 31, 1991, SoCal incorporated an unauthorized 14% penalty for core subscription, full requirements customers. SoCal would apply this penalty under the circumstance that a core subscription, full requirements customer burned alternative fuel when he was not allowed to do so. This penalty would serve to compensate the utility for fuel procured for, but not burned by these customers if they burned alternative fuel instead.

None of the procurement decisions authorize such a penalty for core subscription, full requirements customers. CACD recommends that SoCal delete all such unauthorized penalties from each of its schedules to comply with D.90-09-089, et al.

FINDINGS

1. The Federal Energy Regulatory Commission has not issued a statement or rule dissolving California's buy/sell arrangements for gas transportation.

2. SoCal has not filed a tariff outlining its proposed Authorized Marketer Program.

3. A marketer is not obliged to sign SoCal's Marketer/Aggregator Contract in order to provide services to end use customers.

4. No formal report documenting the procurement program's performance has been ordered by the Commission.

5. The Commission adopted the extended nomination lead time proposed by SoCal on an interim basis, under Resolution G-2957, to accommodate implementation of its computer nomination program, GasSelect.

6. SoCal is not authorized to charge an administrative fee for service under its targeted sales program.

7. The end use customer has the ability to monitor its usage and is in the best position to exercise judgement regarding the imbalance data received from SoCal.

8. SoCal proposes to include subsequent billing adjustments as part of the usage deemed to occur during the subsequent billing period.

9. SoCal is not authorized to charge core subscription full requirements customers a 14% penalty for procurement of utility gas not used.

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CONCLUSIONS

1. The Commission should require SoCal, SDG&E, and PG&E to file Quarterly Operations Reports, as identified above, with the Commission, parties to D.90-09-089 and D.91-02-040, and any other interested parties until the procurement program is replaced.
2. SoCal should delete the unauthorized administrative fee appearing in its Schedule G-TARG.
3. SoCal should modify its Schedule G-IMB to include its proposed language stating that it will include subsequent billing adjustments as part of the usage deemed to occur during the subsequent period.
4. SoCal should delete the unauthorized 14% penalty appearing under its core subscription tariffs under Advice Letter 2009-B.

THEREFORE, IT IS ORDERED that:

1. 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.
2. Southern California Gas Company shall file revised advice letters and tariff sheets five business days from the effective date of this resolution.
3. Southern California Gas Company, San Diego Gas and Electric Company, and Pacific Gas and Electric Company shall file and mail initial Quarterly Operations Reports, as described above, no later than October 25, 1991, to all parties.
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.