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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION

RESOLUTION G-3022
December 16, 1992

R E S O L U T I O N

RESOLUTION G-3022. SAN DIEGO GAS AND ELECTRIC COMPANY SUBMITS PROPOSED TARIFFS AND RULES TO FULLY IMPLEMENT CAPACITY BROKERING RULES CONSISTENT WITH THE PROVISIONS IN DECISIONS 92-07-025 AND 91-11-025.

BY ADVICE LETTER 822-G-A, FILED ON OCTOBER 2, 1992.

SUMMARY

1. On August 12, 1992, San Diego Gas and Electric Company (SDG&E) filed Advice Letter (A.L.) 822-G requesting approval of its proposed tariff schedules and rules to fully implement the Capacity Brokering program set forth in Decision (D.) 91-11-025 and D.92-07-025. SDG&E filed supplementary A.L. 822-G-A on October 2, 1992 which supplements and supercedes A.L. 822-G.

2. This Resolution conditionally approves A.L. 822-G-A, except for the rates filed therein, pending submittal and approval of compliance tariffs filed pursuant to the modifications ordered in this Resolution. The rates contained in A.L. 822-G-A will be reviewed in a subsequent Commission resolution.

3. The rates and services offered in the compliance tariffs will not be available until capacity reallocation programs for El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern) have been authorized by the Federal Energy Regulatory Commission (FERC), the programs are in place, and the contracts between SDG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective.

BACKGROUND

1. In the Capacity Brokering policy decision, D.91-11-025, the Commission ordered Pacific Gas and Electric (PG&E), SDG&E and Southern California Gas Company (SoCalGas) to file pro forma

tariffs for the implementation of Capacity Brokering[1] of utility interstate pipeline capacity. During subsequent hearings in the Order Instituting Rulemaking (R.) 88-08-018 proceeding, parties discussed potential changes to the pro forma tariffs and resolved outstanding issues. In the Capacity Brokering implementation decision, D.92-07-025, the Commission modified and made additional program changes to D.91-11-025. The utilities were ordered to file tariffs by August 12, 1992, identical to the pro forma tariffs except to the extent changes were required as set forth in D.92-07-025 or by orders of FERC.

2. In the event FERC approves the capacity reallocation programs for either El Paso, Transwestern, or Pacific Gas Transmission Company (PGT), the Commission, by D.92-07-025, directs the utilities to broker their firm interstate capacity rights on that one authorized pipeline pursuant to the provisions of the Capacity Brokering decisions, D.91-11-025 and D.92-07-025. Such a scenario has been termed "partial implementation" of the Capacity Brokering program. Partial implementation of Capacity Brokering requires tariffs to be modified to the extent that the utility would operate with two sets of rules: one set would govern brokering of firm interstate capacity over a single serving interstate pipeline, the other set would be the existing rules for customers receiving service over the "unbrokered" interstate pipeline. Full implementation of the Capacity Brokering program would occur following FERC approval of the capacity reallocation programs over all interstate pipelines serving a utility. In addition, full implementation would require many modifications to the utilities' existing tariffs.

3. On August 12, 1992, SDG&E filed A.L. 822-G in compliance with D.92-07-025. The Commission Advisory and Compliance Division (CACD) reviewed A.L. 822-G and requested SDG&E to file a supplemental advice letter containing additional tariff schedules that were not included in A.L. 822-G.

4. On October 2, 1992, SDG&E filed A.L. 822-G-A as requested by CACD to supplement and supersede A.L. 822-G.

5. In its review, CACD also found that SDG&E did not file proposed tariffs for partial implementation. CACD requested SDG&E to file, by separate advice letter, its proposed tariff schedules and rules under partial implementation of the Capacity Brokering program. SDG&E filed A.L. 825-G on September 11, 1992, as requested by CACD.

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1 "Capacity Brokering" refers to the method of soliciting pre-arranged deals for interstate pipeline capacity. These pre-arranged deals are subject to a second round of bidding after the pre-arrangements are posted on the interstate pipeline's electronic bulletin board. This second round of bidding is known as capacity reallocation and is under the jurisdiction of FERC.

6. This Resolution addresses SDG&E's A.L. 822-G-A which incorporates full implementation of the Capacity Brokering program with the exception of rates, which will be reviewed in a subsequent Commission resolution. CACD will also address SDG&E A.L. 825-G in a separate resolution at a later date.

NOTICE

1. Public notice of SDG&E A.L. 822-G and A.L. 822-G-A was made by SDG&E mailing copies to the service list of R.88-08-018 and R.90-02-008 and to all interested parties who requested notification. Notice was also made by publications in the Commission's daily calendar.

PROTESTS

1. The California Industrial Group, California Manufacturers Association, and California League of Food Processors (collectively known as CIG) protested A.L. 822-G on August 31, 1992. SDG&E responded to CIG's protest on September 10, 1992.

2. The California Cogeneration Council (CCC) protested A.L. 822-G on September 1, 1992. On September 23, 1992, SDG&E responded to CCC's protest and stated that it did not receive a copy of the CCC protest until notified by CACD on September 15, 1992.

3. On October 6, 1992, CCC filed further comments on SDG&E's response to the CCC protest.

4. On October 22, 1992, CCC protested A.L. 822-G-A by stating that it contained the same flaws set forth in CCC's September 1 protest to A.L. 822-G. SDG&E responded to this protest on October 30, 1992 and stated that it would proceed with any changes agreed upon by CCC and SDG&E once the Commission rules on the correct changes that are necessary.

DISCUSSION

I. CIG Protest

CIG protested A.L. 822-G for the following reasons:

a. The filing did not contain adequate preliminary statements or service agreements. Also, the filing did not provide for shippers to aggregate the rights of several customers or customers with multiple facilities for purposes of contract administration, use-or-pay requirements, or balancing requirements.

b. The filing contained repeated references to the availability of gas purchased from SDG&E.

c. CIG believed the references to the Service Level 2 (SL-2) surcharge should be eliminated.

d. SDG&E did not provide specifics on the partial implementation of Capacity Brokering should only one interstate pipeline receive FERC approval for capacity reallocation.

SDG&E responded to the CIG protest as follows:

a. SDG&E stated its intent to file tariffs for partial implementation of Capacity Brokering which would contain preliminary statements, service agreements, and provisions for shippers to aggregate the rights of several customers.

b. SDG&E argued that references to utility procured gas are in the best interests of customers to inform them of all the options available.

c. SDG&E explained that language regarding the SL-2 surcharge refers to the distribution of actual funds which will not begin until the end of SDG&E's ratemaking cycle.

Discussion

1. CACD requested that SDG&E supplement A.L. 822-G since the filing lacked preliminary statements, core rate schedules, and service agreements. The supplemental filing, A.L. 822-G-A, was filed on October 2, 1992 and contained the items that CACD requested. SDG&E added language to Rule 20 in A.L. 822-G-A clarifying that shippers could aggregate the rights of several customers. CACD agrees with CIG's suggestion that this language should also include customers with multiple facilities and recommends that SDG&E amend Rule 20 accordingly. In all other aspects, CIG's protest (item a, above) is rendered moot because SDG&E has filed all the items found lacking by CIG.

2. The Commission allowed SDG&E to continue to offer noncore procurement in D.90-09-089 which established rules for utility procurement. SDG&E's current tariffs already contain references to the customer's option to purchase gas from SDG&E. Therefore, if SDG&E were to delete these references to noncore procurement, customers might be confused. CACD recommends that these references to SDG&E noncore procurement remain in the tariffs to inform customers of their options (item b, above).

3. Under current procurement rules, firm service or SL-2 customers are required to pay a surcharge to offset rates for interruptible customers. The Capacity Brokering decision, D.91-11-025, eliminated this surcharge with the elimination of service levels. However, the explanation of the SL-2 surcharge in the Preliminary Statement should not be eliminated because SDG&E will refund the balance of SL-2 revenues collected by the surcharge under the new rate schedules effective with Capacity Brokering. This allocation will be handled in SDG&E's biennial cost allocation proceeding (BCAP) following the full implementation of Capacity Brokering. CACD recommends that SDG&E clarify in its Preliminary Statement that the SL-2

surcharge will no longer be collected under Capacity Brokering and that the credit pertains to funds collected prior to the full implementation of Capacity Brokering. Furthermore, SDG&E should remove the line item references to the SL-2 interruptible credit from the rate schedules for intrastate transportation, cogeneration customer transportation, and UEG transportation because these funds will be allocated through a BCAP (item c, above).

4. Upon request from CACD, SDG&E filed A.L. 825-G on September 12, 1992 containing proposed tariffs to partially implement Capacity Brokering. The Commission will rule on A.L. 825-G in a separate resolution. Therefore, CIG's protest is rendered moot by SDG&E's filing of A.L. 825-G (item d, above).

II. CCC Protest

A protest by CCC to A.L. 822-G addressed the following concerns:

a. SDG&E should clarify that any discount for interruptible intrastate transmission service offered to a utility electric generating station (UEG) will also be offered to cogenerators.

b. SDG&E failed to provide a detailed description in its Rule 14, Shortage of Gas Supply, Interruption of Delivery, and Priority of Service, concerning how it will implement a rotating curtailment system. In addition, Rule 14 grants preference to core subscription customers ahead of firm noncore customers in the event of a curtailment.

c. SDG&E failed to describe its methodology for calculating the "percentage of default rate" which will determine curtailment order for interruptible customers. CCC proposed a methodology for this calculation in its protest.

In response to CCC, SDG&E stated the following:

a. SDG&E agreed to add language proposed by CCC regarding discounts offered to UEG's.

b. SDG&E proposed additional language regarding rotating curtailments and agreed to amend Rule 14 to place core subscription and firm noncore customers on an equal footing in the event of a curtailment. SDG&E also proposed to delete references to curtailment based on percent of default rate for core subscription and firm transportation customers.

c. A methodology for calculating the percent of default rate was proposed which differed from CCC's proposal.

On October 6, CCC replied to SDG&E's response and stated that SDG&E's language on rotating curtailments was still inadequate because cogenerators were not given priority over UEG's in each

curtailment episode. Also, CCC requested further modifications to SDG&E's methodology for calculating percentage of default rate.

Discussion

1. CACD agrees that SDG&E should clarify that rate parity between UEG's and cogeneration customers will include any discounts obtained by the UEG as stated in Appendix B of D.91-11-025. Therefore, CACD recommends that SDG&E insert the phrase "including any discount obtained by the UEG" before the phrase "less igniter fuel" as proposed by CCC in its protest (item a, above). This language should be inserted into Special Condition 22 of the transportation rate schedule for cogeneration customers and Special Condition 25 of the core subscription rate schedule. In addition, this entire paragraph regarding UEG and cogenerator rate parity, as modified above, should be added to Special Condition 3 of the UEG transportation rate schedule.

Furthermore, CACD believes that in order to maintain rate parity, any discounts for intrastate transportation service offered to UEG's should be offered contemporaneously to cogeneration customers. CACD interprets rate parity to mean that the average rate paid by all UEG's would be equal to the average rate paid by all cogeneration customers. SDG&E should include language in its UEG rate schedule explaining that any discount offered to the UEG for intrastate transportation should be offered contemporaneously to cogeneration customers. CACD also recommends that SDG&E be required to file a separate advice letter to accomplish contemporaneous rate parity between UEG class average rates and cogeneration class average rates.

2. SDG&E has agreed to clarify that core subscription and firm noncore customers will be considered equal in the event of a curtailment. Therefore, CACD recommends that SDG&E amend references to curtailment priority in Rule 14. SDG&E should also amend all references to curtailment in other rate schedules to direct the reader to Rule 14 (item b, above).

3. CACD believes the Rule 14 modifications proposed by SDG&E in its September 23 response to CCC are still inadequate based on the requirements for UEG and cogenerator priority in D.92-07-025. CACD recommends that SDG&E add language to Rule 14 clarifying that when cogenerators pay the same or higher default rate for transmission as the UEG, the UEG will be curtailed before cogenerators in each curtailment episode (item b, above). Specifically, SDG&E should revise language in Rule 14 regarding the effectuation of gas curtailment as follows:

> For interruptible customers who are paying the same default transmission rate, curtail gas on a pro rata basis, with actual curtailments to UEG to be curtailed before cogeneration volumes, in each curtailment episode.

For firm customers, curtail gas on a rotating basis, with actual curtailments to UEG to be curtailed before cogeneration volumes, in each curtailment episode.

4. CACD agrees with SDG&E's response to CCC that SDG&E should delete references to "percent of default rates" in the discussion of curtailment of firm transmission and core subscription service in Rule 14 (response item b, above). Percent of default does not apply to firm transportation or core subscription because these rates are not subject to discounting pursuant to D.91-11-025.

5. CACD agrees with CCC that language regarding rotating curtailments is not clear in either the original filing or in the protest response. CACD requested SDG&E to rewrite Rule 14 to establish how rotating curtailments will be handled and to revise other problems. A complete discussion of changes needed to Rule 14 are discussed below.

6. SDG&E has proposed a methodology for calculating an interruptible customer's percent of default rate to be added to Rule 1, Definitions. SDG&E's proposed methodology is based on only those volumetric transportation charges subject to discounting. CCC proposed a methodology based on both fixed and volumetric charges. CACD agrees with CCC that the percent of default rate should be based on the total of both fixed and volumetric charges. CACD also believes that all utilities should use the same methodology for this calculation. Therefore, CACD recommends that SDG&E add a definition of the percent of default rate to Rule 1 as follows:

Percent of default rate shall be calculated as follows:

a. The customer's total transmission charges, including any demand charges or other non-volumetric charges under the applicable noncore service schedule, based on the customer's prior 12-month's historical consumption; divided by,

b. The total tariffed rate that the customer would have paid absent any discount.

SDG&E should provide in its rule that for customers with individual demand forecasts adopted through the BCAP, percent of default rate shall be based on the most recently adopted forecast rather than historical consumption (item c, above).

III. Additional Discussion Issues

During CACD's review of A.L. 822-G-A, CACD noted that other revisions were needed to the proposed tariffs to comply with D.91-11-025 and D.92-07-025. CACD recommends the following modifications:

1. Preliminary Statement.

   a. Core Fixed Cost Account (CFCA). SDG&E should add a description of the credit for interstate capacity charges paid by core aggregators and core transporters for the reserved capacity allocated to them. Also, SDG&E should add a description of the accounting entries for the core's pro rata share of revenues obtained from the brokering of excess capacity.

   b. Noncore Fixed Cost Account (NFCA). SDG&E should modify the description of the NFCA to explain that interstate pipeline demand charges will no longer be charged to the NFCA with the full implementation of Capacity Brokering. Any balance accrued for pipeline demand charges incurred before the start of full implementation will be held in the NFCA until allocation in the next BCAP. Also, SDG&E should remove references to the collection of a surcharge from SL-2 firm transportation customers in the Preliminary Statement description of the NFCA because the SL-2 surcharge will no longer be collected under Capacity Brokering. Any SL-2 funds already collected should accrue interest and will be held for allocation in a subsequent BCAP.

   c. Interstate Transition Cost Surcharge (ITCS) Account. SDG&E agreed to modify the description of the ITCS account to state that the account will only record transition costs resulting from interstate pipeline capacity obligations incurred by SoCalGas and passed through to SDG&E. SDG&E should also make this change to its ITCS description wherever it appears in individual rate schedules. A more detailed description of the ITCS charges that SDG&E may record in this account will be discussed below under Recovery of Interstate Pipeline Demand Charges.

      Pursuant to D.92-07-025, SDG&E should clarify in the Preliminary Statement description of the ITCS account that all core and noncore transportation customers, including contract customers (except those whose contracts have fixed prices), will receive an allocation of the ITCS. SDG&E should explain that core customers will be allocated a portion of the transition costs caused by excess interstate capacity, but that the core will not assume more than the total annual costs of 10 percent of interstate capacity commitments over core reservations. This core allocation of ITCS charges was adopted in D.92-07-025.

Pursuant to D.92-07-025, transition costs in the ITCS account will be recovered under established ratemaking mechanisms. CACD recommends that SDG&E remove any reference to ITCS charges from the rate schedules for core aggregation and core transportation customers, Schedules GCAT and GTC respectively, because core allocations will be subject to the 10 percent cap described above.

Lastly, SDG&E should add a line for ITCS charges to its Preliminary Statement listing of the default rates for core subscription customers because all noncore customers will be allocated ITCS charges.

d. Double Demand Charge Memorandum Account (DDCMA). Pursuant to D.92-11-014 and Resolution G-3024, the Commission has adopted Preliminary Statement language regarding the DDCMA. CACD believes that the DDCMA should be included in SDG&E's tariffs under the full implementation of Capacity Brokering because the allocation of the dollars in the DDCMA will be considered in SDG&E's BCAP. Therefore, SDG&E should include the DDCMA in its Preliminary Statement under Capacity Brokering until the Commission has determined if and how these dollars should be allocated.

2. Language Regarding Annual Nominating Seasons.

SDG&E will offer intrastate transportation service for firm and core subscription customers based on a two year contract term as it currently does under the transportation and procurement rules established in D.90-09-089. However, SDG&E's current tariffs and its proposed tariffs allow for annual open nominating seasons wherein customers can initiate, renew, change or terminate their noncore service elections. These annual open nominating seasons were not specifically allowed by D.90-09-089. In fact, the Commission explicitly set forth two year commitments for firm transportation service for core subscription and noncore customers in D.90-09-089.

CACD believes that SDG&E should remove references to annual open nominating seasons in all of its noncore transportation rate schedules, including core subscription, because this does not comply with the two year commitment established in D.90-09-089. Instead, customers must nominate volumes for firm intrastate transportation or core subscription at the start of the two year commitment. In addition, SDG&E should clarify that significant changes to nominations in the second year of a two year service commitment must be justified by the customer. SDG&E should also clarify that customers may change their monthly contract quantities as long as the changes do not cause the customer to exceed the annual contract quantity. Lastly, SDG&E should ensure that its Natural Gas Service Agreement also reflects the two year commitment for firm transportation and core subscription services.

3. Changes to the Explanation of Full Requirements Service.

SDG&E states in its proposed tariffs that a full requirements customer must take all service under one rate schedule. However, both PG&E and SoCalGas would allow full requirements customers to combine core subscription and firm transportation service. In addition, the provisions for full requirements service as set forth in D. 90-09-089, Appendix A, page 5, do not restrict full requirements customers to service under only one rate schedule. Therefore, CACD recommends that SDG&E should clarify the definition of a full requirements customer in the core subscription, cogeneration, and intrastate transportation rate schedules. These schedules should be amended to explicitly state that a full requirements customer can split service between core subscription and firm transportation service. Customers who split their load shall be required to state monthly quantities for billing purposes under the two schedules. The first gas through the meter will be billed as core subscription.

In addition, SDG&E should remove references to the full requirements option for interruptible customers in the intrastate transportation and cogeneration customer transportation schedules because there is no reason for an interruptible customer to sign up for full requirements service. Full requirements customers are not subject to use-or-pay penalties unless the customer uses a fuel other than natural gas. Interruptible customers are also exempt from use-or-pay penalties according to the tariffs filed for Capacity Brokering. CACD recommends that full requirements service for interruptible customers should be eliminated because an interruptible customer does not need to sign up as a full requirements customer to avoid penalties.

4. Restriction of Terms for Penalty Forgiveness.

SDG&E's proposed tariffs include a new provision relieving customers of use-or-pay and take-or-pay penalties if the utility provides the customer with "as available" gas supplies resulting in the customer meeting the 75% contractual obligation. The addition of this penalty forgiveness was not directed by either of the Capacity Brokering decisions. Furthermore, D.90-09-089, page 25, requires noncore transportation customers to absorb the risk associated with demand reductions for reasons other than force majeure events. The decision states that penalties will be forgiven only if the customer's reduced gas consumption is due to force majeure, curtailments, or service interruptions imposed by the utility. Therefore, CACD recommends that SDG&E remove from all relevant tariffs any language forgiving use-or-pay and take-or-pay penalties if customers take "as available" gas supplies.

5. Calculation of Payments for Voluntary and Involuntary Diversion.

SDG&E's proposed tariffs state that the price paid by the utility for voluntarily and involuntarily diverted gas shall be

determined through calculations specified in the tariffs subject to a price ceiling of 150% of the utility's monthly weighted average cost of gas (WACOG), excluding storage withdrawals. SDG&E could not explain why the phrase excluding storage gas was included in the proposed tariffs. CACD recommended and SDG&E agreed to remove the last phrase "excluding storage withdrawals" wherever it is mentioned in the tariffs because this was not set forth in the Capacity Brokering decisions and because CACD prefers that the utilities calculate these payments consistently.

6. Noncore Utility procurement -- Schedules GPNC and GPNC-S.

During the review of A.L. 822-G and 822-G-A, CACD questioned whether SDG&E's UEG could be exempt from the core subscription step-down mandated in D. 91-11-025 by having gas procured by SDG&E under its noncore utility procurement schedules, Schedules GPNC and GPNC-S. SDG&E responded that it would amend Schedule GPNC and GPNC-S to limit the UEG to a 30-day purchase commitment for noncore utility procurement. With this restriction, the UEG would not be able to receive the one-year purchase commitment commodity rate for noncore utility procurement which is identical to the procurement rate under core subscription. CACD agrees with this amendment which has been incorporated into Schedule GPNC in the supplemental filing. CACD recommends that this restrictive language should also be added to Schedule GPNC-S and to the UEG transportation schedule.

CACD also questioned how SDG&E would recover interstate pipeline demand charges from utility noncore procurement customers. In A.L. 822-G, SDG&E made no provision for collecting interstate pipeline demand charges from utility noncore procurement customers. SDG&E responded by adding Schedule GPIN to the supplemental filing A.L. 822-G-A. Schedule GPIN shall recover interstate pipeline demand charges only and shall be required in conjunction with noncore utility procurement under Schedule GPNC or GPNC-S. Rates under Schedule GPIN will be adjusted monthly to reflect the cost of obtaining interstate capacity for noncore utility procurement customers.

SDG&E should also correct an error on page 1 of Schedule GPNC that excludes firm customers from receiving the commodity rate for a one year purchase commitment. Both firm and interruptible intrastate customers should have the option to choose between noncore utility procurement for either a one year or 30-day purchase commitment. SDG&E should also ensure that this change is made to Schedule GPNC-S.

7. Recovery of Interstate Pipeline Demand Charges.

CACD recognizes that certain elements of Capacity Brokering implementation should be handled differently for SDG&E than for the other utilities because SDG&E does not currently own firm interstate capacity rights to serve its entire core and noncore load.

Under Capacity Brokering, PG&E and SoCalGas will reserve firm capacity for their respective core and core subscription loads from the interstate capacity currently held by each respective utility. Any excess capacity held by PG&E and SoCalGas will be offered for Capacity Brokering since neither utility provides bundled procurement services for noncore customers other than core subscription.

However, noncore customers of SDG&E can choose between core subscription or a noncore utility procurement service that includes interstate transportation. Because SDG&E does not own rights to interstate capacity beyond what it needs to serve its core, SDG&E will need to acquire the interstate capacity for core subscription and noncore utility procurement customers on an as needed basis. As stated in discussions with CACD, SDG&E prefers maximum flexibility in obtaining this capacity so it can negotiate the most favorable pricing and contract terms. With the full implementation of Capacity Brokering, SDG&E proposes acquiring capacity for its entire core, core subscription and noncore utility procurement load in a block. SDG&E will then pool the charges for this capacity into one pipeline demand charge account that will be allocated to core, core subscription, and noncore utility procurement customers based on throughput.

CACD recognizes that if SDG&E pools interstate pipeline demand charges into one account, noncore customers may cross-subsidize purchases of firm capacity for the core. This cross-subsidy will occur because noncore customers will pay a weighted average pipeline demand charge based on the cost of firm capacity for the core as well as the cost of capacity obtained for the noncore. In contrast, capacity charges for noncore gas moved on an interruptible basis will be cross-subsidized by the core. This will occur because volumetric charges for gas transported for the noncore on an interruptible basis will not flow to a separate noncore demand charge account. Instead, these volumetric charges will be part of the weighted average cost of gas (WACOG) charged to both core and noncore customers of SDG&E on an equal basis. The cross-subsidies indicate that neither core or noncore customers will pay rates for interstate capacity based on the actual cost of serving that customer class.

CACD agrees with SDG&E that although this cross-subsidization will occur, the benefits of allowing SDG&E to purchase interstate capacity in a pool outweigh the lack of cost-based rates for core and noncore interstate capacity. Furthermore, because D. 90-09-089 allows SDG&E to offer utility noncore procurement out of the same portfolio from which gas is purchased for the core, it is efficient to allow SDG&E to pool purchases of interstate capacity to serve core and noncore procurement customers.

However, in order to minimize the cross-subsidization of core and noncore pipeline demand charges, CACD proposes that SDG&E allocate pipeline demand charges to core and noncore customers in the following manner:

a. The allocation factor for core pipeline demand charges would be the core reservation figure that was set at 150 MMcf/day in D. 91-11-025. The total pipeline demand charges incurred should be multiplied by the ratio of 150 MMcf/day divided by total monthly interstate throughput. This amount should flow to the CFCA.

b. Noncore pipeline demand charges should be allocated based on the remaining throughput to core subscription and noncore utility procurement customers, which should change monthly. The allocation for noncore pipeline demand charges should flow to a new Noncore Pipeline Demand Charge Account (NPDCA) which should be a 75/25 balancing account.[2] SDG&E shareholders should be responsible for 25% of the costs associated with any capacity held in excess of the forecasted demand for core subscription and noncore utility procurement customers in a given month. Revenues from core subscription reservation charges and GPIN charges should offset the pipeline demand charges recorded in the NPDCA. This pipeline demand charge allocation cannot flow to the NFCA because it would not apply to noncore customers who transport gas using their own capacity rights. SDG&E should add a description of the NPDCA to its Preliminary Statement that clarifies that the NPDCA will account for interstate pipeline demand charges for core subscription and noncore utility procurement customers.

Because SDG&E will obtain core subscription capacity only as it is needed, CACD finds that SDG&E cannot calculate a reservation charge for core subscription customers in the same manner as PG&E and SoCalGas. Instead, CACD recommends that the reservation charge for core subscription customers should be based on the same allocation for pipeline demand charges that is charged to noncore utility procurement customers under Schedule GPIN. This reservation charge will change monthly because it is based on the GPIN rate. SDG&E has agreed with CACD that it should revise its description of the reservation fee in the core subscription rate schedule to reflect how the reservation fee will be calculated.

CACD proposes that when SDG&E brokers excess core and noncore capacity, SDG&E should credit any revenues from this brokering to the CFCA and the NPDCA on a pro rata basis. This agrees with the allocation of revenues from the brokering of excess capacity that is set forth in D.92-07-025. Furthermore, CACD believes that SDG&E should not record any stranded costs to the ITCS account for excess capacity for core subscription or

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2 The NPDCA 75/25 balancing account should be the same format as the noncore transportation balancing account adopted for SDG&E's noncore transportation revenues in D.90-09-089.

utility procurement because SDG&E will be given the flexibility to obtain the capacity for these services on a short term basis. Because of this flexibility, stranded costs for excess capacity should be minimal or even non-existent. Furthermore, as in existing Commission adopted 75/25 balancing accounts, SDG&E shareholders should bear the risk for 25% of any revenue undercollections associated with this capacity.

8. Unbundling of Core Aggregation and Core Transportation Rates -- Schedules GTC and GTCA.

SDG&E's proposed tariffs in A.L. 822-G contained rates for core aggregation that were unbundled because the rate excluded interstate pipeline demand charges. Core aggregation customers would pay unbundled rates because they would pay interstate pipeline demand charges directly to the pipeline. SDG&E's original filing also contained a security deposit that core aggregation customers would pay to mitigate any effects of defaults in paying pipeline demand charges.

However, in SDG&E's supplemental filing A.L. 822-G-A, SDG&E reversed this unbundling and filed tariffs for core aggregation and core transportation that contained bundled rates for intra- and interstate transportation. SDG&E proposes to refund any payments made to the interstate pipeline for demand charges after these payments are credited to the utility's account with the pipeline.

Because of this credit mechanism, core customers who use core aggregation or core transportation service will have to pay for interstate capacity twice and wait for a refund. CACD does not find this reasonable. Instead, CACD recommends that core aggregation and core transportation rates be unbundled. In addition, CACD recommends that SDG&E should not collect a security deposit as proposed in A.L. 822-G because SDG&E has not sufficiently justified this security deposit and because this deposit would be an unreasonable burden on core aggregation customers.

9. Secondary Brokering of Core Aggregation and Core Transportation Capacity.

The Commission states in D.92-07-025 that the utilities should provide for secondary brokering, consistent with FERC orders, to be implemented along with Capacity Brokering programs. In addition, the decision also adopts the proposal by Access Energy that core aggregators must have the right to use available alternative capacity, in place of or in addition to the reserved space assigned to them. Therefore, CACD recommends that SDG&E clarify that both core aggregation and core transportation customers can secondarily broker the core capacity that they have been assigned. CACD believes that core aggregation and core transportation customers who choose to secondarily broker capacity should be responsible for payment of the demand charges related to that capacity at the full as-billed rate regardless of whether that capacity was secondarily

brokered at a rate below the full as-billed rate. This would prevent any allocation of stranded costs to core customers.

CACD also notes that SDG&E should remove Special Condition 7, Core Procurement Option, from the core transportation schedule because it no longer applies.

10. UEG Tariffs -- Schedules GTUEG.

SDG&E's proposed tariffs contain demand charges for UEG core subscription service that are higher than demand charges for UEG firm and interruptible transportation service. SDG&E has explained that UEG core subscription demand charges are higher because these charges include interstate pipeline demand charges.

However, CACD believes that tariff schedules for all core subscription customers should have the same rate design and indicate the same reservation charge for interstate pipeline demand charges. This reservation charge was discussed above under Recovery of Interstate Pipeline Demand Charges. Therefore, CACD recommends that SDG&E should modify its UEG core subscription schedule so that demand charges for core subscription service to UEG customers are equal to the demand charge for firm or interruptible UEG transportation. SDG&E should explain clearly that the UEG will also pay the reservation charge on a per therm basis that is found in the core subscription rate schedule for all core subscription volumes. In addition, SDG&E should explain that firm and interruptible UEG customers that buy noncore utility procured gas will pay the applicable charge for pipeline demand charges found in the GPIN Schedule.

CACD also recommends that SDG&E modify the UEG transportation rate schedule to include provisions for gas balancing and standby service charges. SDG&E has agreed to this recommendation and proposes to add language from Special Condition 21 of the intrastate transmission rate schedule to the UEG transportation schedule.

11. Rule 1: Definitions.

SDG&E has agreed to remove references to service levels in its definitions for core, core subscription, and noncore customers because the Capacity Brokering program replaces the service levels adopted in D.90-09-089. SDG&E should also revise its definition of core customer to remove the reference to end-use priority status P-2B as discussed in Rule 14 below.

CACD recommends that SDG&E revise the definitions of core and noncore portfolios in Rule 1 because SDG&E currently has only one procurement portfolio for both core and noncore customers. SDG&E has agreed to these revisions.

12. Changes to Curtailment Order in Rule 14.

CACD recommends that SDG&E modify its curtailment order as follows:

a. SDG&E should clarify that standby service for interruptible customers will be curtailed before standby service for firm customers.

b. As mentioned in the protest discussion above, SDG&E agreed to modify Rule 14 to state that core subscription and noncore firm customers will have the same priority in the event of curtailment.

c. SDG&E has agreed to explain how it will assign firm noncore customers to random blocks for curtailment on a rotating basis.

d. SDG&E should clarify that firm UEG customers will be curtailed ahead of firm cogeneration customers in each curtailment episode. Likewise, SDG&E should add to its existing language that when UEG and cogenerators pay the same percent of default rate, interruptible service to UEG customers will be curtailed ahead of interruptible cogeneration service in each curtailment episode.

e. SDG&E should remove references to core end-use priority P-2B customers because D.91-11-025, Appendix B, eliminated the end-use priority system with the exception of P1 and P-2A in its description of the core curtailment order.

f. SDG&E should include a reference to the $1 per therm curtailment penalty that will be assessed if a customer does not make a reasonable effort to curtail. The reference to this penalty in Rule 14 should refer to the individual rate schedule for the amount of the penalty under each rate schedule. In addition, SDG&E should add a reference to this $1 per therm curtailment penalty in the transportation rate schedules for cogeneration and UEG customers.

13. Voluntary and Involuntary Diversions to Protect Core Customers.

CACD recommends that SDG&E should clarify that voluntary diversions to protect core customers will be performed before any involuntary diversions are performed. CACD does not believe that SDG&E should include the priority of voluntary diversions in its curtailment order because voluntary diversions may also be performed in circumstances other than to protect the core class.

CACD interprets Appendix B of D.91-11-025 as allowing three types of diversions to be used in two different curtailment situations. When a customer's service is curtailed at the

delivery point and SDG&E does not need the gas to protect the core class from the threat of curtailment, SDG&E may enter into a voluntary diversion agreement with the customer. The utility is allowed to purchase the customer's gas as long as the price is less than what the utility would pay if the customer had been involuntarily diverted. CACD believes this type of diversion is intended to allow the utility and the customer to derive potential benefits from curtailment. The utility has the opportunity to acquire gas supplies that would be cheaper than other available supplies to meet core demand. The curtailed customer can be alleviated of potential imbalance penalties and can recover gas costs. Of course, a customer may choose to trade imbalances or divert the delivery of the gas to another facility. Should the customer choose to trade imbalances and subsequently be unable to do so, imbalance penalties would prevail.

In a situation where the utility is about to curtail a customer's delivery in order to use the gas to protect against curtailment to the core class, the utility is authorized to effectuate voluntary core protection purchase arrangements (VCPP). VCPP's are designed to provide core supplies at the time of curtailment for a price less than the price utilities have to pay to involuntarily divert customer's gas supplies. If VCPP's do not provide enough gas to meet core needs, the utility is authorized to involuntarily divert gas. The price to be paid for involuntary diversions is established in Appendix B of D.91-11-025. CACD believes the Commission did not intend that the utilities use diversions of any type simply because diversions may provide the most economic core supply options.

14. SDG&E's Failure to File Petitions to Modify D.91-11-025.

Throughout discussions of full implementation with CACD, SDG&E staff have stated that because of the utility's operational characteristics, SDG&E will experience difficulty in adhering to the the curtailment order and procedures set forth in D.91-11-025. Specifically, SDG&E has stated that rotating curtailments of firm noncore customers will not be operationally practical.

To resolve this difficulty, SDG&E has proposed to CACD that it will curtail its UEG interruptible load prior to other interruptible customer curtailments and its UEG firm load prior to other firm customer curtailments. SDG&E has stated that curtailment of its UEG is more efficient because the load size of the UEG is larger than the load size of SDG&E's other noncore customers. In addition, SDG&E has indicated that although its tariffs are written to comply with the curtailment procedures in D.91-11-025, SDG&E's gas operations department may not follow the tariffs as written in the event of a curtailment.

CACD is concerned that although SDG&E's tariffs may be written to comply with D.91-11-025, SDG&E has implied that it does not intend to follow the curtailment procedures specified in its own tariffs. CACD reminds SDG&E that it must adhere to

all rules adopted by the Commission including the curtailment procedures specified in D.91-11-025 and approved in SDG&E's tariffs. CACD cannot allow SDG&E to ignore the adopted curtailment procedures and its approved tariffs by curtailing its UEG load first before other customers. SDG&E should petition to modify D.91-11-025 if it is unable to follow the curtailment procedure set forth therein.

According to D.91-11-025, curtailment of interruptible customers should be based on the percent of default rate paid. Customers paying the same percent of default rate would be curtailed pro rata if all customers in the class were not curtailed fully. Pursuant to D.91-11-025, p. 27, curtailment on a pro rata basis means that customers will be curtailed on an equal percentage.

In discussions with CACD, PG&E, SDG&E and SoCalGas have all indicated that pro rata curtailment as adopted in D.91-11-025 is not operationally feasible. The utilities state that they do not have the ability to partially curtail a customer's service, and that they can only turn the customer's service off completely. If this reasoning is correct, then the utilities should have come forward in a more timely fashion through a Petition to Modify D.91-11-025 or even in the second phase of the Capacity Brokering proceeding which was intended to implement policy developed in D.91-11-025 and which led to D.92-07-025.

CACD reminds the utilities that they must comply with all Commission directives. CACD believes it is imprudent and unreasonable for the utilities to include language in their curtailment rules which they are unable to implement. It is also not reasonable for the utilities to tell CACD that they do not intend to implement language found in their tariffs. Where such compliance is not feasible, the utilities have the clear responsibility to seek to change or clarify rules ordered by the Commission.

15. Negotiation of Diversion Order.

Ordering Paragraph 17 of D. 92-07-025 states that utilities shall permit intrastate transportation customers to negotiate among themselves the order of gas supply diversions. The decision does not restrict the trading of diversion order to only firm customers. Therefore, CACD recommends that SDG&E modify the language in Rule 14 and elsewhere throughout its tariffs regarding negotiations between customers for the order of gas supply diversions. SDG&E should state that firm customers may trade diversion order with other firm customers or with interruptible customers.

CACD recognizes, however, that if an interruptible transportation customer is allowed to use another customer's firm rights, SDG&E may experience a revenue shortfall if the interruptible customer pays a discounted rate. To prevent this revenue shortfall and still maintain the flexibility of transferring diversion order among intrastate customers, CACD

recommends that when any two customers trade diversion order, the customer that is not curtailed should pay the higher transportation rate of the two otherwise applicable rates. Therefore, if a firm customer trades with an interruptible customer, the interruptible customer must pay the firm service rate. In addition, CACD recommends that SDG&E specify the amount of time prior to a curtailment that customers must notify the utility of any negotiated changes in the order of gas supply diversions.

16. Additional Clarification Needed to Capacity Brokering Rule.

SDG&E's Rule 22, Interstate Capacity Brokering, does not sufficiently explain how customers will obtain brokered capacity through open seasons and pre-arrangements with the utility. CACD believes that SDG&E should revise Rule 22 to include a section describing initial open seasons. This will help to alleviate customer confusion surrounding the initial implementation of this new program. This section should explain the timeline of events leading up to the posting of pre-arranged deals on the interstate pipeline bulletin board as discussed above. SDG&E should describe the length and timing of the core subscription open season, the intrastate transmission open season, and the pre-arrangement period for interstate capacity. SDG&E should clarify that pre-arrangements for the reallocation of core capacity to core aggregation and core transportation customers will be handled separately from the pre-arrangements and posting of excess capacity. SDG&E has agreed to these revisions.

CACD and the utilities, PG&E, SDG&E, and SoCalGas, have agreed on a timeline for the full implementation of Capacity Brokering that includes an eight week period for intrastate transportation service elections and a core subscription open season. A five week period for pre-arrangements of interstate firm capacity rights would begin during the last two weeks of the eight week intrastate and core subscription open season. The utilities will have one week from the time all pre-arranged bids are submitted to evaluate the bids and award pre-arranged deals before the pre-arrangements that are awarded should be posted on the interstate pipeline's electronic bulletin board.

CACD believes this timeline of events provides uniformity among the three utilities and affords customers sufficient time to make their intrastate and interstate service elections while avoiding unnecessary delays of Capacity Brokering. CACD recommends that the Commission adopt this timeline. SDG&E should clarify open season language throughout its tariffs in accordance with the agreed upon Capacity Brokering timeline wherever a reference is made to open seasons in the rate schedules or rules.

Specific dates for this initial open season do not need to be provided in SDG&E's tariffs and rules as the dates will be published in materials provided to customers for bidding on interstate capacity. However, SDG&E should explain the sequence

of open seasons and bidding periods for pre-arranged capacity in its tariffs and rules.

In addition, SDG&E should revise any language throughout its tariffs stating that core subscription customers will have up to 120 days to choose service because this 120 day window has been changed under Capacity Brokering. SDG&E should explain that the core subscription open season will be eight weeks as set forth in the Capacity Brokering implementation timeline.

CACD recognizes the utilities' concerns that any initial open season language in the tariffs will eventually become obsolete. Therefore, CACD recommends that the Commission order a sunset provision for this language. The initial open season language should remain in SDG&E's tariffs for one year after the effective date of the full implementation of Capacity Brokering. After one year, SDG&E should eliminate this language from its tariffs by a compliance filing. SDG&E should explain this sunset provision in its explanation of initial open seasons.

In addition, CACD recommends that SDG&E revise Rule 22 to address other significant issues surrounding the implementation of Capacity Brokering as follows:

a. Language in Rule 22 should clarify that cogeneration customers will be notified of UEG service elections and interstate capacity reservations five days prior to the time the cogeneration customers must submit service elections and capacity reservations pursuant to D.91-11-025, Appendix B. Cogeneration customers should therefore be given five extra days beyond the close of the intrastate open season to submit intrastate service elections. Cogeneration customers should also receive five days beyond the close of the pre-arrangement period to submit bids for firm interstate capacity. SDG&E has agreed to make these cogenerator deadlines explicit in Schedules GTCG and GTUEG.

b. Rule 22 should include an explanation of cogenerator customer bidding options as set forth in the joint agreement between CCC and PG&E and adopted in D.92-07-025.

c. Rule 22 should explain the procedure for awarding tying bids.

d. Rule 22 should explain the terms under which the utility can recall capacity.

e. SDG&E should clarify that the utility will conduct pre-arrangements for excess capacity after the initial open season and in subsequent open seasons when initial Capacity Brokering contracts expire.

f. Rule 22 should clarify that SDG&E may broker capacity for a term of less than one month. Notice of such an

offer will be posted directly to the interstate pipeline bulletin board.

g. SDG&E should include an explanation of any earnest money deposit that it intends to collect from bidders. The Commission, in D. 91-11-025, allowed an earnest money deposit of $2.00 per one million cubic feet (MMcf) of total capacity bid, forfeited if the bidder refuses capacity awarded in conformance with the bid.

17. Revisions to the Natural Gas Service Agreement.

As part of its Capacity Brokering filing, SDG&E has revised its Natural Gas Service Agreement. The agreement covers general terms and conditions for natural gas service, while several supporting schedules set forth agreements for intrastate transportation, pre-arranged interstate capacity transactions, utility procurement, and core subscription.

CACD recommends that SDG&E make the following revisions to its Natural Gas Service Agreement:

a. Schedule A, Intrastate Transmission Service, contains language regarding the procurement of gas. However, Schedule D, Utility-Procurement, sets forth the agreement for utility procurement and core subscription. SDG&E should remove references to procurement in Schedule A since procurement is handled in Schedule D.

b. SDG&E should specify in Section 2 of the agreement that Schedule D covers core subscription as well as utility procurement.

c. Schedule C, Pre-Arranged Interstate Capacity Transfer, Section 3, contains a provision that a party shall pay 100% of the as-billed rate in connection with any quantities of gas transported for ultimate delivery to core customers. CACD recommends that this provision be removed because core transportation and core aggregation customers are not precluded from obtaining excess capacity at less than the as-billed rate beyond the capacity assigned to them by SDG&E.

d. Schedule C, Section 4, states that SDG&E may also require additional evidence of transferee's creditworthiness including guarantees, letters of credit, and other forms of security. In an October 23 letter to CACD, SDG&E stated that it intended to collect the equivalent of two months' demand charges as security. However, under the Capacity Brokering program, utilities and all other parties are required to follow the rules set forth by the FERC including any creditworthiness standards established in FERC orders. CACD finds that any SDG&E creditworthiness requirements and security interests would be duplicative and possibly contradictory to interstate pipeline

creditworthiness standards authorized by the FERC. Therefore, SDG&E should remove all references to creditworthiness requirements and security interests in this filing. SDG&E may propose these requirements in a separate advice letter in accordance with any FERC authorized standards on this matter.

e. Schedule C, Section 5, includes a provision that the party receiving firm interstate capacity shall indemnify SDG&E against all claims arising from the assignment of the firm capacity. CACD finds that these indemnity provisions are overly broad and ambiguous. Pursuant to D.92-07-025, shippers are required to contract with the releasing utility and this contract can specify the utility's rights against the shipper if the shipper fails to pay the pipeline company for contracted transportation service. CACD believes SDG&E should be allowed to indemnify itself when the shipper fails to pay the pipeline company and the pipeline company holds SDG&E liable for the unpaid demand charges. Such a provision would serve to protect SDG&E's ratepayers where they may be held liable for increased costs. CACD recommends that SDG&E change the language on indemnification to correctly reflect the provision of D.92-07-025.

CACD also notes that SDG&E did not file all of the schedules that may be attached to the Natural Gas Service Agreement. In order for CACD to approve the agreement, SDG&E should file its entire Natural Gas Service Agreement with the compliance filing for this Resolution.

IV. Implementation Issues

1. FERC Rules for Capacity Reallocation.

SDG&E should file by advice letter any changes necessary to these tariff schedules to comply with FERC rules for capacity reallocation.

2. Effective Date of Full Implementation and Tariffs for Full Implementation of Capacity Brokering.

Pursuant to D.91-11-025 and D.92-07-025, full implementation of Capacity Brokering rules should occur for SDG&E when both Transwestern and El Paso pipelines have received FERC approval of their capacity reallocation programs. CACD recommends that in order to efficiently implement the initial stages of Capacity Brokering, all contracts awarded for firm interstate capacity under the Capacity Brokering program should become effective on the same date regardless of their terms. For example, during the initial stages of Capacity Brokering, contracts will all begin on the same date whether the capacity is awarded for one month or for one year. This will enable the utilities to effectively and efficiently implement the initial

stages of the Capacity Brokering rules without administrative burdens caused by different effective dates for the contracts.

SDG&E's tariffs to fully implement Capacity Brokering should be effective January 20, 1993, pending submittal and approval of compliance tariffs filed pursuant to the modifications contained herein. However, the rates and services offered in these revised tariffs with the exception of Rule 22 and the Natural Gas Service Agreement plus attached schedules, should not be available until (1) capacity reallocation programs authorized by FERC are in place and (2) the contracts between SDG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective. Rule 22 and Natural Gas Service Agreement plus attached schedules should be available prior to the availability of the services and rates. These two items should be available pending FERC approval of the capacity reallocation programs for El Paso and Transwestern pipelines. This earlier availability of Rule 22 and the service agreement is necessary in order to provide customers with sufficient access to information prior to the events under Capacity Brokering, i.e. intrastate and core subscription open seasons and the pre-arrangement period for interstate capacity.

SDG&E should include a statement on all revised tariffs explaining at what point in time the services and rates contained in the tariffs will become available. The revised Capacity Brokering tariffs should be placed in a separate section of the existing tariffs until the rates and services become available as described above. However, Rule 22 and the Natural Gas Service Agreement plus attached schedules should be included with the existing tariffs. Procurement tariffs affected by the Capacity Brokering program should not be cancelled until all tariffs under Capacity Brokering are available.

3. Compliance Filing.

CACD recommends that SDG&E file compliance tariffs that are identical to the tariffs filed in A.L. 822-G-A except for the changes described in this Resolution and changes authorized by FERC under the capacity reallocation programs for El Paso and Transwestern pipelines. SDG&E should also make any other minor modifications to the tariffs as documented by CACD in discussion with SDG&E.

4. Items in A.L. 822-G-A That are Not Addressed in this Resolution.

CACD will address the unbundled intrastate transportation rates filed in A.L. 822-G-A in a subsequent resolution.

FINDINGS

1. SDG&E filed supplemental A.L. 822-G-A containing preliminary statements, core rate schedules, and service agreements not contained in A.L. 822-G.

2. SDG&E has already added language to Rule 20 clarifying that shippers could aggregate the rights of several customers but should clarify that this language also applies to customers with multiple facilities.

3. SDG&E's current tariffs already contain references to the customer's option to purchase gas from SDG&E and these references to noncore procurement in SDG&E's proposed tariffs are reasonable.

4. The allocation of the balance of SL-2 surcharge revenues will be handled in SDG&E's BCAP following the full implementation of Capacity Brokering.

5. SDG&E should retain the explanation of the SL-2 surcharge in its Preliminary Statement but should clarify that the surcharge will no longer be collected under Capacity Brokering.

6. SDG&E should remove line item references to the SL-2 credit from each rate schedule.

7. The Commission will rule on A.L. 825-G containing tariffs for partial implementation of Capacity Brokering in a separate resolution.

8. SDG&E should clarify that any discounts offered to its UEG will be offered contemporaneously to cogeneration customers.

9. The average rate paid by all UEG's should be equal to the average rate paid by all cogeneration customers.

10. SDG&E should file an advice letter proposing a methodology to accomplish contemporaneous rate parity between UEG class average rates and cogeneration class average rates.

11. SDG&E's tariffs should clarify that core subscription and firm noncore customers will be considered equal in the event of a curtailment.

12. SDG&E's tariffs should clarify that when cogenerators pay the same or higher default rate for transmission as the UEG, the UEG will be curtailed before cogenerators in each curtailment episode.

13. SDG&E should add a definition of the calculation for percent of default rate for interruptible customers to Rule 1. This definition should be based on the total of both fixed and volumetric charges paid by interruptible customers and should state that for customers with individual demand forecasts adopted through a BCAP, percent of default rate should be based on the most recently adopted forecast.

14. SDG&E should include a description of accounting revenues for interstate capacity in the CFCA.

15. SDG&E should modify the NFCA to explain that the balance for interstate pipeline demand charges will be held until allocation in the next BCAP.

16. SDG&E should remove references in the NFCA to the collection of the SL-2 surcharge from firm customers.

17. SDG&E should modify its description of the ITCS account to state that the account will only record transition costs resulting from obligations incurred by SoCalGas and passed through to SDG&E.

18. SDG&E should clarify in its Preliminary Statement that all core and noncore transportation customers will receive an allocation of the ITCS but that the core allocation can be no more than the total annual costs of 10 percent of interstate capacity over core reservations.

19. Transition costs in the ITCS will be recovered under established ratemaking mechanisms.

20. SDG&E should remove any reference to ITCS charges from core aggregation and core transportation rate schedules.

21. SDG&E should add a reference to ITCS charges to core subscription default rates in its Preliminary Statement.

22. The Commission has adopted language regarding a Double Demand Charge Memorandum Account.

23. SDG&E should include the DDCMA in its Preliminary Statement until the Commission has determined if and how these dollars should be allocated.

24. The Commission set forth two year commitments for firm transportation service for core subscription and noncore customers in D.90-09-089.

25. References to annual open nominating seasons should be eliminated from SDG&E's tariffs and SDG&E should clarify that firm noncore customers must nominate volumes at the start of the two year commitment.

26. SDG&E should clarify that significant changes to nominations in the second year of a two year service commitment must be justified by the customer and that customers may change their monthly contract quantities as long as the annual contract quantity is not exceeded.

27. Full requirements customers are not restricted to service under only one rate schedule.

28. SDG&E should amend its definition of full requirements to state that a full requirements customer can split service between core subscription and firm transportation service.

29. Full requirements service for interruptible customers should be eliminated from SDG&E's tariffs.

30. D. 90-09-089 states that penalties will be forgiven only if a customer's reduced gas consumption is due to force majeure, curtailments, or service interruptions imposed by the utility.

31. SDG&E should remove language forgiving use-or-pay and take-or-pay penalties if customers take "as available" gas supplies.

32. CACD recommends that the utilities calculate payments for voluntary and involuntary diversion consistently.

33. SDG&E should not exclude storage withdrawals in its calculation of payments for voluntary and involuntary diversions.

34. SDG&E proposed limiting its UEG to a 30-day purchase commitment for utility procured gas.

35. It is reasonable for SDG&E to limit its UEG to 30-day purchase commitments for utility procured gas and to amend its tariffs to reflect this.

36. SDG&E should clarify where appropriate that customers who use SDG&E's noncore utility procurement will also pay interstate pipeline demand charges under a separate rate schedule.

37. Both firm and interruptible intrastate customers should have the option to choose between noncore utility procurement for either a one year or a 30-day purchase commitment.

38. SDG&E does not currently own firm interstate capacity rights to serve its entire core and noncore load.

39. It is reasonable for SDG&E to purchase interstate capacity in a block and allocate the pipeline demand charges to core and noncore utility procurement customers based on CACD's allocation methodology set forth in this Resolution.

40. The allocation for noncore pipeline demand charges should flow to a new Noncore Pipeline Demand Charge Account which should be a 75/25 balancing account in the same format as the noncore transportation balancing account adopted for SDG&E in D. 90-09-089.

41. SDG&E cannot calculate a reservation charge for core subscription customers in the same manner as PG&E and SoCalGas.

42. SDG&E should revise its description of the reservation charge for core subscription to indicate that it will be based on the allocation for GPIN and that it will change monthly.

43. SDG&E should credit revenues to the core and noncore on a pro rata basis for any excess interstate capacity that is brokered.

44. SDG&E should not record any stranded costs to the ITCS account for excess capacity for core subscription or noncore utility procurement customers.

45. SDG&E shareholders should bear the risk for 25% of the costs associated with any capacity held in excess of the forecasted demand for core subscription and noncore utility procurement customers in a given month.

46. When interstate pipeline demand charges are embedded in core aggregation and core transportation rates, these customers will pay for interstate capacity twice and wait for a refund.

47. It is reasonable to remove interstate pipeline demand charges from the transportation rates billed to core aggregation and core transportation customers.

48. SDG&E should not collect a new security deposit from core aggregation or core transportation customers.

49. SDG&E should clarify that core aggregation and core transportation customers can secondarily broker the capacity that they have been assigned, although these customers will still be responsible for payment of the full as-billed rate for this capacity.

50. SDG&E has proposed core subscription demand charges for UEG customers that include interstate pipeline demand charges.

51. All core subscription rate schedules should have the same rate design.

52. SDG&E should modify its UEG rate schedules to indicate that demand charges for all UEG customers are equal and to indicate that the UEG will pay a reservation charge for core subscription.

53. SDG&E should add provisions for gas balancing and standby service charges to its UEG rate schedule.

54. The Capacity Brokering program replaces the service levels adopted in D.90-09-089.

55. D.91-11-025 eliminated the end-use priority system with the exception of end-use priorities P1 and P-2A.

56. SDG&E should remove references to service levels and end-use priority P-2B in its definitions in Rule 1 and in Rule 14.

57. SDG&E has one procurement portfolio for both core and noncore customers.

58. SDG&E should revise its definitions of core and noncore portfolios in Rule 1 to reflect that SDG&E has only one portfolio.

59. SDG&E should clarify Rule 14 to state that standby service for interruptible customers will be curtailed before standby service for firm customers.

60. It is necessary for SDG&E to explain in Rule 14 how it will assign firm noncore customers to blocks for a rotating curtailment.

61. SDG&E should clarify that when UEG and cogeneration customers pay the same rate, UEG customers will be curtailed before cogeneration customers in each curtailment episode.

62. It is necessary for SDG&E to include a reference to the $1 per therm curtailment penalty in Rule 14 and in each transportation rate schedule.

63. SDG&E should clarify in Rule 14 that voluntary diversions to protect core customers will be performed before any involuntary diversions are performed.

64. CACD interprets Appendix B of D.91-11-025 as allowing three types of diversions to be used in two different curtailment situations.

65. When a customer's service is curtailed at the delivery point and SDG&E does not need the gas to protect the core from curtailment, SDG&E may enter into a voluntary diversion agreement with the customer as long as the price is less than what the utility would pay if the customer had been involuntarily diverted.

66. VCPP's are designed to provide core supplies at the time of curtailment for a price less than the price utilities have to pay to involuntarily divert customer's gas supplies.

67. If VCPP's do not provide enough gas to meet core needs, the utility is authorized to involuntarily divert gas. The price to be paid for involuntary diversions is established in Appendix B of D.91-11-025.

68. The Commission did not intend that the utilities use diversions of any type simply because diversions may provide the most economic core supply option.

69. SDG&E has proposed curtailing its UEG prior to curtailing other noncore customers.

70. SDG&E should adhere to all rules adopted by the Commission included the curtailment procedures specified in D.91-11-025. Therefore, SDG&E should not curtail its UEG load first before other noncore customers.

71. Curtailment on a pro rata basis means that customers will be curtailed an equal percentage.

72. SDG&E should petition to modify D.91-11-025 if it is unable to follow the curtailment procedures for rotating or pro rata curtailments set forth therein.

73. It is reasonable for firm and interruptible customers to trade diversion order with each other.

74. SDG&E should clarify that when any two customers trade diversion order, the customer that is not curtailed should pay the higher transportation rate of the two customers to prevent any revenue shortfall resulting from customers trading diversion order.

75. SDG&E should specify the amount of time prior to a curtailment that customers must notify the utility of any negotiated changes in the order of gas supply diversions.

76. SDG&E's Rule 22 does not explain how customers will obtain brokered capacity through open seasons and pre-arrangements with the utility.

77. The Commission should adopt the timeline for initial open seasons agreed upon by CACD and the utilities and SDG&E should revise Rule 22 to describe initial open seasons per the agreed upon timeline. The initial open season language should remain in Rule 22 for one year after the effective date of full implementation and SDG&E should eliminate this language by a compliance filing.

78. SDG&E should clarify in Rule 22 that cogeneration customers will receive 5 additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

79. It is necessary for Rule 22 to contain an explanation of cogeneration customer bidding options as adopted in D.92-07-025.

80. SDG&E should amend Rule 22 to explain the awarding of tying bids, the terms under which SDG&E can recall capacity, the handling of pre-arrangements in subsequent open seasons, the brokering of capacity for a term of less than one month, and the collection of an earnest money deposit.

81. SDG&E should amend Schedules A and D of its Natural Gas Service Agreement as discussed in this Resolution.

82. Core aggregation and core transportation customers are not precluded from obtaining intestate capacity at less than the full as-billed rate beyond the capacity assigned to them by SDG&E.

83. SDG&E should remove a provision stating that a party shall pay 100% of the as-billed rate for any gas transported for ultimate delivery to core customers in Schedule C of its Natural Gas Service Agreement.

84. Under Capacity Brokering, utilities and all other parties are required to follow any creditworthiness standards established in FERC orders.

85. SDG&E's proposed creditworthiness requirements and security interests would be duplicative and possibly contradictory to interstate pipeline creditworthiness standards authorized by the FERC and should be removed from SDG&E's tariffs and agreements.

86. Pursuant to D.92-07-025, shippers using brokered capacity are required to contract with the releasing utility so that the utility can specify its rights against the shipper in case of default on payment.

87. SDG&E should change the language on indemnification in its service agreements to reflect the provisions of D.92-07-025.

88. SDG&E should file by Advice Letter any changes necessary to these tariffs to comply with FERC rules for capacity reallocation.

89. All initial Capacity Brokering contracts, regardless of term, should begin on the same date.

90. SDG&E's tariffs to fully implement Capacity Brokering should be effective January 20, 1993, pending submittal and approval of compliance tariffs that are identical to the tariffs filed in A.L. 822-G-A except for the changes described in this Resolution.

91. The rates and services offered in these revised tariffs, with the exception of Rule 22, Interstate Capacity Brokering, and the Natural Gas Service Agreement plus attached schedules, should not be available until (1) capacity reallocation programs for El Paso and Transwestern have been authorized by FERC and are in place and (2) the contracts between SDG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective.

92. SDG&E's Rule 22 and the Natural Gas Service Agreement plus attached schedules should be available pending FERC approval of the capacity reallocation programs for all interstate pipelines serving SDG&E.

93. SDG&E should include a statement on all revised tariffs explaining at what point in time the services and rates contained in the tariffs will become available.

94. The revised Capacity Brokering tariffs should be placed in a separate section of the existing tariffs until the rates and services become available as described above.

95. SDG&E's Rule 22 and the Natural Gas Service Agreement plus attached schedules should be included with the existing tariffs.

96. Procurement tariffs affected by the Capacity Brokering program should not be cancelled until all tariffs under Capacity Brokering are available.

97. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission.

98. CACD should address SDG&E's unbundled intrastate transportation rates in a subsequent resolution.

99. SDG&E should make any minor modifications to the tariffs that are documented by CACD in discussion with SDG&E.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company shall file revised tariffs by January 15, 1993 that are identical to Advice Letter 822-G-A except for any changes identified in the findings above and any other minor modifications requested by the Commission Advisory and Compliance Division. The rates filed in the revised tariffs shall reflect the most current rates authorized by the Commission.

2. Advice Letter 822-G-A shall be marked to show that it has been superseded and supplemented by a second supplemental advice letter containing the revised tariffs.

3. The revised tariffs to fully implement Capacity Brokering shall be effective January 20, 1993, pending approval by the Commission Advisory and Compliance Division.

4. The rates and services offered in these revised tariffs, with the exception of Rule 22 and the Natural Gas Service Agreement plus attached schedules, shall not be available until capacity reallocation programs for El Paso Natural Gas Company and Transwestern Pipeline Company have been authorized by the Federal Energy Regulatory Commission, the programs are in place, and the contracts for interstate capacity between San Diego Gas and Electric Company and its customers are accepted by the interstate pipelines and effective.

5. San Diego Gas and Electric Company's Rule 22 and the Natural Gas Service Agreement plus attached schedules shall be available pending the Federal Energy Regulatory Commission's approval of the capacity reallocation programs for El Paso Natural Gas Company and Transwestern Pipeline Company.

6. Procurement tariffs affected by the Capacity Brokering program shall not be cancelled until all tariffs under Capacity Brokering are available.

7. San Diego Gas and Electric Company shall file an Advice Letter by January 15, 1993 presenting a proposal to accomplish contemporaneous rate parity between utility electric generation class average rates and cogeneration class average rates.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1992. The following Commissioners approved it:

Executive Director

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